

Appendix

Table A.1 GDP per capita PPP (in US dollars)

	1990	1995	2000	2005	2006	2007	2008	2009	2010
East Asia	1007	1786	2853	4948	5717	6665	7412	8118	9031
China	8619	13,513	18,123	24,220	25,820	27,910	28,718	28,481	30,423
Republic of Korea	–	–	21,231	27,844	30,119	32,650	33,417	32,946	36,866
Taiwan	691	866	1124	1535	1929	2085	2201	2304	2445
South Asia	1174	1542	2043	3037	3369	3743	3908	4214	4639
India	1918	2379	2745	3577	3844	3981	4041	4101	4130
Pakistan	2163	2977	3964	5208	5710	6212	6651	6860	7426
Sri Lanka	2782	4217	4463	5925	6360	6853	7314	7617	7973
South-East Asia	6578	10,251	12,412	15,851	16,923	18,120	19,008	18,519	19,778
Indonesia	4125	6751	7318	10,826	11,660	12,470	13,039	12,767	13,905
Malaysia	972	1492	1961	3125	3406	3685	3928	4128	4400
Thailand									
Vietnam									

Source: Asian Development Bank website www.adb.org.

Table A.2 Tax revenue as % of GDP (refers to central government only)

		1990	1995	2000	2005	2010
East Asia	China	15.1	9.9	12.7	15.6	18.2
	Republic of Korea	14.8	15.2	17.0	13.9	14.0
	Taiwan	12.7	10.3	13.3	9.1	8.0
South Asia	Bangladesh	5.8	7.9	6.8	8.6	7.8
	India	7.5	6.9	6.5	7.3	7.3
	Pakistan	14.0	13.8	10.6	10.1	10.1
South-East Asia	Sri Lanka	19.3	17.9	14.2	13.7	12.9
	Indonesia	17.8	16.0	8.3	12.5	11.2
	Malaysia	17.8	18.7	13.2	14.8	13.7
	Thailand	16.0	16.4	12.8	15.3	14.6
	Vietnam	11.5	19.1	18.0	21.0	22.4

Source: Asian Development Bank website www.adb.org.

Table A.3 Gross domestic capital formation as % of GDP

		1990	1995	2000	2005	2010
East Asia	China	36.1	41.9	35.1	42.1	48.2
	Republic of Korea	38.1	36.9	32.9	32.2	32.0
	Taiwan	24.4	26.7	25.7	22.7	22.4
South Asia	Bangladesh	17.1	19.1	23.0	24.5	26.2
	India	26.0	26.2	24.3	34.7	36.5
	Pakistan	18.9	18.5	17.2	19.1	15.8
South-East Asia	Sri Lanka	20.7	25.6	25.4	26.1	27.2
	Indonesia	30.7	31.9	22.2	25.1	32.3
	Malaysia	32.4	43.6	26.9	22.4	23.3
	Thailand	41.6	42.9	22.3	30.5	25.5
	Vietnam	14.4	27.1	29.6	33.8	35.7

Source: Asian Development Bank website www.adb.org.

Table A.4 Public spending on education, total (% of GDP)

	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
East Asia													
China	-	1.9	-	-	-	-	-	-	-	-	-	-	-
Republic of Korea	3.3	3.2	-	4.1	4.0	4.4	4.4	4.1	4.2	4.2	4.8	5.0	-
Taiwan	-	-	-	-	-	-	-	-	-	-	-	-	-
South Asia													
Bangladesh	1.6	-	2.4	2.5	2.3	2.4	2.2	-	2.5	2.6	2.4	2.2	-
India	-	-	4.3	-	-	3.6	3.3	3.1	3.1	-	-	3.2	3.3
Pakistan	2.5	2.8	1.8	-	-	-	1.9	2.3	2.6	2.6	2.7	2.6	2.3
Sri Lanka	2.4	3.0	-	-	-	-	-	-	-	-	-	2.1	2.0
South-East Asia													
Indonesia	-	1.0	-	2.5	2.6	3.2	2.7	2.9	-	3.0	2.9	3.5	3.0
Malaysia	-	4.3	6.0	7.5	7.7	7.5	5.9	-	4.5	4.4	4.0	6.0	5.1
Thailand	-	3.2	5.4	5.0	4.1	4.0	4.2	4.2	4.3	3.8	3.8	4.1	3.8
Vietnam	-	-	-	-	-	-	-	-	-	-	4.9	-	6.3

Source: World Bank website www.worldbank.org.

Table A.5 Public spending on health (% of GDP)

	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
East Asia												
China	3.5	4.6	4.6	4.8	4.8	4.7	4.7	4.6	4.4	4.6	5.1	5.0
Republic of Korea	3.7	4.3	5.0	4.8	5.2	5.2	5.6	6.1	6.4	6.6	7.1	7.3
Taiwan	—	—	—	—	—	—	—	—	—	—	—	—
South Asia												
Bangladesh	3.5	2.8	3.0	3.1	3.0	3.1	3.2	3.4	3.5	3.5	3.7	3.7
India	4.0	4.3	4.5	4.4	4.3	4.5	4.2	4.0	3.9	3.9	3.9	3.7
Pakistan	3.3	3.0	2.8	3.0	2.9	2.8	3.2	3.7	3.5	3.3	3.0	3.0
Sri Lanka	3.3	3.7	3.7	3.9	3.9	4.2	4.0	4.0	3.7	3.4	3.3	3.4
South-East Asia												
Indonesia	2.0	2.0	2.2	2.2	2.5	2.4	2.8	2.9	3.1	2.8	2.8	2.9
Malaysia	2.9	3.0	3.3	3.3	3.9	3.7	3.2	3.6	3.5	3.4	3.9	4.0
Thailand	3.5	3.4	3.3	3.7	3.6	3.5	3.5	3.5	3.6	3.9	4.1	3.8
Vietnam	5.2	5.3	5.6	5.1	5.2	5.5	5.9	6.5	7.1	6.0	6.5	6.9

Source: World Bank website www.worldbank.org.

Table A.6 Exports as % of GDP

	1960	2005	2006	2007	2008	2009	2010
East Asia							
China	4.34	33.76	35.72	34.93	31.64	24.08	26.60
Republic of Korea	0.82	31.67	32.17	33.09	42.11	40.31	42.61
Taiwan	—	—	—	—	—	—	—
South Asia							
Bangladesh	—	15.42	19.07	18.20	19.32	16.88	19.13
India	3.53	11.94	12.83	12.12	15.92	12.08	13.25
Pakistan	10.79	14.66	12.33	11.71	11.95	10.44	12.08
Sri Lanka	27.09	26.01	24.36	23.93	20.76	17.46	17.35
South-East Asia							
Indonesia	—	30.43	28.40	27.30	27.36	22.17	22.29
Malaysia	48.62	98.22	98.76	91.04	86.38	77.84	80.24
Thailand	14.89	62.91	62.64	62.30	65.22	57.80	60.61
Vietnam	—	56.29	60.00	62.73	63.23	53.86	62.31

Source: Calculated from data available at World Bank website www.worldbank.org.

Table A.7 Pakistan share of global merchandise and textile exports

	1990	1995	2000	2005	2010
Pakistan exports as % of global exports	0.16	0.15	0.14	0.15	0.14
Pakistan textile exports as % of global textile exports	2.55	2.79	2.93	3.49	3.11

Source: WTO website www.wto.org.

Table A.8 The Millennium Development Goals

Goals/targets	Indicator
Reduce extreme poverty by half by 2015	1. Numbers living on less than \$1.25 a day
	2. Poverty gap ratio
	3. Poorest fifth's share of GDP
Reduce extreme hunger by half by 2015	4. Prevalence of underweight children
	5. Prevalence of malnutrition
Achieve universal primary school enrolment by 2015	6. Net enrolment in primary schools
	7. Proportion that completes five years
	8. Literacy rate of 15–24 age group
Promote gender equality	9. Ratio of boys to girls in education
	10. Ratio of literate males to females
	11. Ratio of males to females in jobs
	12. Women in elected bodies
Reduce infant and child mortality by two-thirds by 2015	13. Under-five mortality rate
	14. Infant mortality rate
	15. Rate of immunization of below 1 year
Combat HIV/AIDS, malaria, etc.	16. Halt and reverse their spread by 2015
Ensure environmental sustainability	17. Integrate sustainable development in national policies
	18. Access of people to safe drinking water
	19. Achieve significant reduction of urban slums

Table A.8 (Continued)

Goals/targets	Indicator
Develop a global partnership for development	20. Open, rule-based non-discriminatory trading system
	21. Address the needs of least developed countries, cancelation of their Official Development Assistance (ODA) debt and more generous ODA for poverty reduction
	22. Address special needs of landlocked countries
	23. Make debt of developing countries more sustainable
	24. Develop strategies for youth employment
	25. Improve access to essential drugs and make drugs more affordable
	26. Improve access to new technologies such as information and communication technology.

Source: United Nations Economic and Social Survey of Asia and the Pacific 2001.

Table A.9 Human Development Index ranking

	1980 rank out of 124	1990 rank out of 141	2000 rank out of 157	2005 rank out of 174	2008 rank out of 175	2010 rank out of 187
East Asia						
China	92	103	100	101	96	98
Republic of Korea	45	32	25	21	20	18
Taiwan	–	–	–	–	–	–
South Asia						
Bangladesh	106	122	126	133	134	143
India	100	112	117	124	126	136
Pakistan	101	117	124	131	131	147
Sri Lanka	59	71	69	73	74	79
South East Asia						
Indonesia	83	98	94	103	104	110
Malaysia	58	64	55	58	60	62
Thailand	75	88	83	89	87	92
Vietnam	85	108	105	114	115	121

Source: UNDP website www.undp.org.

Notes

Introduction

1. The idea of governing or ruling elites was first discussed by the fathers of political sociology, Pareto and Mosca, more than a hundred years ago. Its modern application is the brainchild of the doyen of American sociologists, C. Wright Mills.
2. See *The Economist*, 15 March 2014, on 'The New Age of Crony Capitalism' for an extensive discussion on the subject.
3. William Easterly's *The Elusive Quest for Growth* contains a wide-ranging discussion of the subject of arrested development.
4. A substantial body of opinion now considers that Economics is not a science in the strict sense of the word. It is primarily a combination of logic and common sense. Given this, what is good or bad in terms of policy outcomes cannot be derived from Economics but has to be judged separately in terms of ethics.
5. Even those who believe that markets are always efficient concede that they tend to fail in the provision of collective goods. Three critical areas where this has happened in both developed and developing economies are health care, education and housing.
6. Much is made of Pakistan's possession of vast coal reserves. What is always missing in such claims is any mention of the staggering investment that would be required to exploit the coal reserves that neither the government nor any private investor can realistically finance.
7. It has been suggested that the more homogeneous the population the greater the likelihood of the elite acting in a collective, as opposed to narrow provincial, sectarian or other interests.
8. See various annual and sector reports of the Competition Commission of Pakistan including, in particular, the first two reports on the *State of Competition in Pakistan*.
9. Even after the upheavals of the first decade of this century Japan remains a remarkably egalitarian society. The share of wealth held by the richest decile is lower than in Norway and Sweden and executive salaries and perks a long way short of their peers in Europe and the United States.
10. For a detailed discussion of the system of decision-making, see Martin Jacques' *When China Rules the World*.
11. Virtually, the whole of higher education has been privatized.

1 Development, Social Justice and the Limits of Public Policy

1. For an excellent discussion on the limited range of choices available to Pakistan, see Mahbub-ul-Haq's *The Strategy of Economic Planning* (1966) and S M Naseem's *Dilemmas of Destiny* (1993).

2. Despite the fact that most jobs created have been in the informal economy.
3. One direct attempt at helping the poor, the Benazir Income Support Programme, became mired in free-riding with the inclusion of relatively well-off persons amongst its beneficiaries.
4. The Happiness Report issued in 2015 grapples with the complexities of measuring happiness in different countries.
5. Much interesting and useful background material on the political culture of Pakistan is available in Mujib's *Indian Muslims*, Mason's *Men Who Ruled India*, Wolpert's *Jinnah of Pakistan* and Cohen's *Idea of Pakistan*.
6. See also Romila Thapar's excellent *History of India* (vol. 1) for a description of the origin of patronage in India.
7. Globally, almost 8 per cent of firms (in terms of market capitalization) are run by relatives of their countries' leaders. See *The Economist*, 18 April 2015.
8. Pakistanis are major investors in Dubai real estate.

2 Why Has the Pakistan's Economy Underperformed?

1. The most visible outcome has been the loss of international competitiveness as evident in Pakistan's weak export performance especially over the last decade or so.
2. The annual Economic Surveys from the Ministry of Finance and publications of the State Bank of Pakistan provide an excellent flavour of the times.
3. Prof. Mushtaq Khan of the School of Oriental and African Studies, University of London has delved deeply into the relationship between development and rent-seeking.
4. Pakistan's share of global textile exports including clothing has declined from 8 to 3 per cent between 2000 and 2015 (World Trade Organization).
5. How the financial sector facilitates rent-seeking has been explained succinctly by Asim Khwaja and Atif Mian in 'Rent-seeking and corruption in financial markets' in the *Annual Review of Economics* 2011.
6. Many World Bank reports on Pakistan allude both to the intractable nature of these problems, and the fact is that they have been left unaddressed by successive governments.
7. Around two-thirds of the rural population owns no land.
8. For a discussion of this and related issues, see Larsson, Tomas (2012): *Land and Loyalty: Security and the Development of Property Rights in Thailand*, Cambridge University Press, Cambridge.
9. See Jennifer Bussell's 'Variety of corruption: the organization of rent-seeking in India', Paper presented at a conference at Harvard University on Westminster Model of Development in Crisis, May 2013, for an analysis of the origin and persistence of rent-seeking in India.
10. Kugelman, Michael (2015): *Pakistan's Interminable Energy Crisis: Is There any Way Out?* Wilson Centre, Washington, DC.

11. A wide-ranging survey of the pattern of development in East and South-East Asia is contained in *Asia and the Pacific: A Story of Transformation and Resurgence* (2014): United Nations ESCAP, Bangkok.
12. Spreads and returns on assets are notoriously difficult to compute in South Asia.
13. There are moves afoot to stop such practices in India where the largest banks remain in public ownership.
14. Pakistan has been under IMF tutelage more frequently than any other economy in Asia and, with one exception, in the world.

3 The Social Sectors in Pakistan: A Story of Neglect

1. See the report on the *Evaluation for the Social Sectors in Pakistan*, ADB Operations Evaluation Department, July 2005, for what went wrong with the SAP.
2. All these matters are discussed in *State of Education in Pakistan* (annual, various issues)
3. Pakistan's under-five mortality rate is worse than that of Nepal and Myanmar, both of which are poorer than Pakistan in per capita income.
4. There has been a plethora of reports on the Millennium Development Goals emanating from the United Nations, the World Bank, the Asian Development Bank and national sources, all telling the same story.
5. As were the 2015 elections to the Delhi State Assembly in India.
6. Income is often an inadequate measure of poverty. The poor also lack intangible assets like social networks which make them even more vulnerable to adverse events. A Gallup survey conducted in 2014 found that a third of the poorest quintile of developing countries had nobody to rely on in times of need. The poor lack access to such networks precisely because they are poor.
7. Problems and issues are discussed in *Roadmap for the Millennium Development Goals in the Asia Pacific region*, report presented to UN ESCAP, commission session, Almaty, May 2007.
8. These papers were started by the World Bank to concentrate the minds of developing countries on the importance of tackling the problem of poverty.

4 The Cultural Setting: Patronage and Rent-Seeking

1. For a discussion, see Daniel Thorner's 'The transformation of the rural economy' in *The Economic Development of India before 1947* in *The Encyclopedia Americana*, 1960.
2. See *The Economist*, 15 March 2014 for a discussion on crony capitalism and rent-seeking in the global economy.
3. For a pithy description of this phenomenon, see 'Rent-seeking and corruption in financial markets' by Asim Khwaja and Atif Mian, *Annual Review of Economics* 2011.

4. Capital flight has been a chronic problem for Pakistan but few know its true extent.
5. The current Pakistan government has announced that textile sector exports will be increased from \$8 to \$25 billion and total exports from \$25 to \$100 billion in five years. Given its past performance and Pakistan's poor competitiveness these targets appear to be barely credible and betoken another exercise in futility.
6. Extensively discussed in *The State of Competition in Pakistan 2009*, Competition Commission of Pakistan, Islamabad.
7. Renewable sources have already reached 15 per cent of gross generating capacity, much higher still in countries like Germany.

5 The Political Economy of Pakistan's Development

1. The Competition Commission of Pakistan has an impressive track record of identifying anti-competitive behaviour in the economy. However, its efforts have yet to lead to any demonstrable results for the wider economy of the country.
2. For both East and West Pakistan. Plan outlays converted at the official rate of exchange prevailing at the time.
3. A degree of success achieved by the Benazir Income Support Programme is an encouraging sign despite its many problems.
4. The complex nature of effective public service delivery is discussed at length in a collection of essays in *Reinventing Public Service Delivery in India*, (2006): ed. Vikram Chand, Sage Publications, New Delhi.

6 Regional Economic Cooperation in South Asia and South-East Asia

1. In terms of growth and employment, productive efficiency can offset a deterioration in the terms of trade as in 2009 and 2010
2. The establishment of Asia Pacific Economic Cooperation (APEC) may not lie comfortably with this hypothesis. However, the Pacific now, and the Atlantic previously, while being physical barriers also benefited from the development of fast, low-cost shipping services that overcame the disadvantages that physical distance posed to the countries around the two oceans.
3. These followed the sharp appreciation of the yen and led to the 'hollowing out' of Japan in the form of outward FDI by Japanese manufacturing enterprises.
4. See the *Economic and Social Survey of Asia and the Pacific 2011* for its discussion of the issues pertaining to connectivity in Asia and the Chinese initiative to set up the Silk Road Development Fund to boost connectivity with its Central Asian neighbours.

5. See the annual *Trade and Development Report* prepared by UNCTAD for a sense of the evolving views on trade, development and regional economic cooperation.
6. The UN recommended the establishment of such a bank in 2007.
7. Two new infrastructure and long-term development financing institutions on the horizon are the Chinese-led Asian Infrastructure Investment Bank and the BRICS New Development Bank consisting of Brazil, Russia, China, India and South Africa

7 The State, Private Enterprise and Development

1. One of the consequences of neoliberal ideas and globalization has been to increase the size of the financial sector vis-à-vis the rest of the economy. This has left developing country governments dangerously vulnerable (a) to the instability inherent in the financial sector and (b) an inexorable rise in inequality in society, as Minsky predicted in 1992.
2. The astronomical OTC derivatives market is almost ten times the size of the global economy.

8 Democracy and Development: Diagnosing Poor Governance

1. This should not be taken to mean that all countries must remain prisoners of their cultures forever. It merely suggests that in more egalitarian cultures notions of equity are not resisted tooth and nail by the rich when it comes to the funding of public services.
2. Diamond, Jared (2013): *The World Until Yesterday: What Can We Learn from Traditional Societies*, Viking Press, London has a fascinating account of these issues from the perspective of life in Papua New Guinea.

9 An Agenda for Pakistan's Future

1. Modernization has many different meanings. Here, it primarily signifies a post-enlightenment merit and reason-based approach to solving problems.
2. All infrastructure projects across the world are bedevilled by major cost overruns and delays.
3. Such preferences have been described as 'moral licensing', *Harvard Business School* working paper, December 2014.
4. In April 2015, during a visit to Pakistan by the president of China, assistance amounting to \$45 billion to be given to Pakistan for investment in infrastructure and energy was announced. While obviously welcome, in order to evaluate its impact on Pakistan's economy more details are needed.

5. Singapore's Lee Kwan Yew was a firm believer in the responsibility of the State not only in developing the economy but in delivering the kind of society that Singapore should strive to become.
6. Pakistan has its share of deniers although the prevailing mood, such as there is, is one of indifference to the problem.
7. Information extracted from an article by Amartya Sen and Jean Drèze: *An Uncertain Glory: The Contradictions of Modern India*, Princeton University Press, Princeton.

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