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The Military and Economic
Development in Pakistan

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PREFACE

This working paper is one of a collection of papers, most of which were prepared for and presented at a festschrift conference to honor the life's work of Professor Thomas Weisskopf of the University of Michigan, Ann Arbor. The conference took place on September 30 - October 1, 2011 at the Political Economy Research Institute, University of Massachusetts, Amherst. The full collection of papers will be published by Elgar Edward Publishing in February 2013 as a festschrift volume titled, *Capitalism on Trial: Explorations in the Tradition of Thomas E. Weisskopf*. The volume's editors are Jeannette Wicks-Lim and Robert Pollin of PERI.

Since the early 1970s, Tom Weisskopf has been challenging the foundations of mainstream economics and, still more fundamentally, the nature and logic of capitalism. That is, Weisskopf began putting capitalism on trial over 40 years ago. He rapidly established himself as a major contributor within the newly emerging field of radical economics and has remained a giant in the field ever since. The hallmarks of his work are his powerful commitments to both egalitarianism as a moral imperative and rigorous research standards as a means.

We chose the themes and contributors for this working paper series, and the upcoming festschrift, to reflect the main areas of work on which Tom Weisskopf has focused, with the aim of extending research in these areas in productive new directions. The series is divided into eight sections, including closing reflections by our honoree himself, Professor Weisskopf. Each section except for the last includes comments by discussants as well as the papers themselves.

The eight sections are as follows:

1. Reflections on Thomas Weisskopf's Contributions to Political Economy
2. Issues in Developing Economies
3. Power Dynamics in Capitalism
4. Trends in U.S. Labor Markets
5. Discrimination and the Role of Affirmative Action Policies
6. Macroeconomic Issues in the United States
7. Applications of Marxist Economic Theory
8. Reflections by Thomas Weisskopf

This working paper is 1 of 4 included in Section 2.

- *Jeannette Wicks-Lim and Robert Pollin*

The Military and Economic Development in Pakistan

Shahrukh Khan

INTRODUCTION

The military in Pakistan has staged four coups and predominantly justified them based on the economic incompetence and corruption of the political administrations in office.¹ In this chapter, we first review the concepts of economic growth and development in a comparative economic systems context and use that as a framework to examine the role of the military in Pakistan's economy. We turn next to an illustrative comparative performance of Pakistan's economy under military compared to civilian administrations. We show that there is little justification for military intervention on economic grounds.

ECONOMIC GROWTH AND THE DEVELOPMENT PROCESS

Poor nations strive to catch up with rich ones but the task is very challenging. In Pakistan's case, the military adds to this challenge in several obvious and less obvious ways high-lighted in this chapter. We start with some reflections on China that represents that latest "miracle" in economic development and see what lessons it might have for an economy intertwined with a military presence and other political and social problems.

Over the past seven decades or so, scholars have identified many factors that might break vicious circles that lead to low economic growth and initiate a high and sustained economic growth trajectory; governance being among the more recent ones.² However, as Hausmann, Klinger and Wagner (2008, pp. 5-16) conclude when making a case for growth diagnostics, all approaches to identifying constraints to growth such as cross country growth regressions, growth accounting or benchmarking using cross country surveys in which countries are ranked on various indicators, such as constraints to doing business, are problematic. These methods are dismissed on theoretical grounds and in the case of benchmarking because of inherent problems with the data collection method. However, growth diagnostics, the latest in the arsenal of such tools is also problematic on many grounds as indicated by Dixit (2007) and Khan (2011). Case studies have been more promising and one lesson is that there is no one solution for moving from vicious to virtuous circles and certainly countries that managed to attain and sustain a high economic growth trajectory started from different circumstances and did it in different ways.

Rostow (1962) reflected on the pre-conditions for economic "take off." While he ostensibly wrote an anti-communist manifesto, his stages of growth framework is not unlike that implicit in Mao Tse-Tung's thought.³ Rostow describes pre-conditions for take-off as the critical stage prior to economic take-off. These pre-conditions include a change in attitude to fundamental and applied science and training to operate in disciplined organizations. Other pre-conditions include the development of financial, political and social institutions. Institutional development needs to be accompanied by appropriate social and physical infrastructure (ports, docks, roads, railways) and management skills.

Mao Tse-Tung's (1968, p. 5, p. 67) characterization of a take-off would be quantification and then a qualitative leap where the quantification are the pre-conditions and the take-off the qualitative leap. Mao also refers to internal and external conditions, with the former as the pre-conditions being more critical (p. 28) and external conditions such as a favorable international environment possibly acting as a catalyst. A "take off" or whatever one calls the phenomenon (catch up growth) is an empirical reality in the case of China and perhaps other emerging economies like Brazil and India and was certainly the case in Japan, Korea and Taiwan (Province of China), Malaysia and Thailand before them.

There is plenty of evidence that qualitative changes occur, but we do not know as much about what cause them and why. It is also very likely that the critical internal and external conditions vary by country. We speculate in this chapter on what the critical internal conditions are likely to be in Pakistan's case. We make a qualification given our concern with social justice. A "take-off" is not a necessary condition for generalized well-being, as we are currently seeing in China and India, although it is a sufficient condition. A take-off can create opportunities for distribution and pressures for it. The more likely story is that prosperity spreads because people fight for a larger share of the larger pie (worker strikes in China) or the state engages in distribution because of the likely social conflict and other constraints to growth if they do not (China addressing lagging rural income with infrastructure). Nor do workers necessarily wait for a sustained take-off. Bangladeshi ready-made garment workers have been engaged in a protracted struggle for increased wages from a sector that contributes over about four-fifths of total merchandize export earnings. Just as nations have to struggle and develop despite the odds, workers often face a similar struggle.

In the context of Mao's philosophy, among the very favorable internal conditions are a sound administration and managerial capacity and strong citizen identification with a common national project. I visited China to give a series of lectures on economic development in the summer of 2009, during the peak of the swine flu epidemic, at the Beijing Language and Cultural University (BCLU). It was strange to be lecturing on economic development in a country that one really should be learning from. In fact, one set of lessons came very early on in the trip even before reaching the hotel from the airport and these pertain to administrative and managerial capacity.

On disembarking in Islamabad, Pakistan en route to China, passengers were greeted with a large sign suggesting that they report to the Ministry of Health if they were coming from a country where the flu originated or where the incidence was high. The best that can be said for this public health initiative was that the sign was prominent and difficult to miss. It seems unlikely however that many passengers reported to the Ministry of Health the next day.

Two days later, when the plane landed in China, the public health precaution could not have been more different. When the plane came to a complete stop, passengers were asked to remain seated. Rapidly and carefully, a team of public health officials electronically scanned each passenger for temperature. Seat numbers of those with a temperature above a certain threshold were noted and these passengers were later subjected to further tests. We learned that day that the mayor of New Orleans was quarantined for a week in a Shanghai hotel because he was deemed to represent a public health risk. In the case of BCLU, foreign faculty were not allowed to be exposed to students for one week and so sight-seeing tours were organized and beyond this faculty and families, if in tow, had the opportunity to do this on their own also (board and lodging covered).

Other experiences also revealed a very high level of public health alert and the capacity to take preventive measures across the board. Taxi drivers routinely rolled down windows if a passenger sneezed, suggesting an effective public health campaign. In, Qingdao, 882 km South of Beijing on the Yellow Sea, a family member's sore throat bloomed into a cold. Medicine for a cold was procured from a traditional medicine store by looking at a visual card showing apparent cold symptoms. A hotel receptionist with English language skills was asked to read the dosage. Very shortly after this consultation, a public health official knocked at our hotel room door for a temperature check.

All this public health precaution was very visible being immersed as a foreigner in Chinese society without knowledge of the language. More might have been gleaned with access to the language and media. Even so, the level of public health preparedness, both at the official level and in terms of the diffusion of knowledge, possibly via media campaigns, was impressive.

Perhaps it is the administrative and managerial ability of the communist party that generates the observed level of social efficiency. However, as an observer and interested reader of the Chinese scene, it also appears that there is a broad identification with what one might view as a common project to catch up to the west as soon as possible. While many might view the Chinese space program as premature and wasteful, the expression of national pride at the first human flight into space observed on the media did not appear staged. In so far as development is a collective action issue, this critical ingredient for the collective action to be realized seems to be present in China. A country as vast as China is inevitably complex and many seem shabbily treated and human rights appear to be trampled on. But there seems to be a larger story of a country on the move, a country that possesses adequate administrative and managerial capacity and one where there is broad identification with a national project.

These two critical ingredients may be sufficient to trigger a virtuous circle that induces other ingredients that in turn add to the snowballing impact of enhanced economic prosperity. For example, one way to look at the current Chinese miracle is that historically, administrative and managerial ability delivered reasonable quality physical and social infrastructure as a base. That this happened was no accident but systematically planned for in the dialectical vision for economic development and balanced growth that Mao Tse-Tung (1968, pp. 129-130) propounded in 1951. Heavy industry was to be the core, but it needed the simultaneous development of agriculture and the associated light industry. Agriculture would provide the raw materials and markets and enable the capital accumulation needed for heavy industry. In turn, industry would provide materials needed to continue to boost agriculture such as heavy machinery and transportation equipment, fertilizer, equipment for water conservancy, power, fuel, and building materials for infrastructure.

A managerial decision to catch up then put uniquely Chinese incentives into place to trigger prosperity (Rodrik, 2010); again very consistent with Mao's advocacy of adapting based on local conditions (p. 131). The original source of the organizational and managerial ability might have been the communist party, which is still a force, but this ability is widely diffused and visiting any factory or observing the cleanliness and efficiency of the subway systems in Beijing or Shanghai makes this evident.⁴

Finally, to sustain the prosperity and truly catch up requires embodying an endogenous technological capacity in society and the economy so that it keeps moving up the technological ladder.⁵ However, as the Japanese, Korean, and Taiwan (Province of China) experience shows, this is not automatic but planned for with an extensive technology and training policy.⁶ It is also evident now that the Chinese are using their new found re-

sources and administrative and managerial ability to invest in creating an endogenous technological capacity, including by drawing back expatriate talent.⁷

China however faces major challenges. As mentioned above, the socialist investment in humans, as the ultimate wealth of the nation, and infrastructure created the base for unleashing China's productive potential as it harnessed the power of the market. Deng Xiaoping, the architect of market reforms, is alleged to have said "To get rich is Glorious." Despite this unleashing of personal incentives, the state has not withdrawn from continuing to make human investments and as a medium human development nation, its human development index increased from 0.556 in 1985 to .772 in 2007. However, social inequality has increased and while the Gini coefficient in 1981 was 28.8, it rose in 1995 to 38.8 and in 2001 to 45.0.⁸

The Chinese Communist Party also recognized that industrialization was resulting in immense environmental degradation and human suffering and its current drive to lead in renewable technologies like solar and wind might have been one response to this immense challenge. Its metric tons of CO₂ per thousand declined from 1.77 in 1990 to 0.95 in 2005; the steepest decline among all countries for which such data was reported [World Bank (2010, p. 262)].

Thus authentic development for us requires investing in people as an ends, but also as a means for attaining equitable and sustained prosperity by developing an endogenous technological capacity to diversify the economy. Such capacity needs to be harnessed along with containing consumption to preserve natural capital. While China's centralized leadership may have advantages in its capacity to deliver on such objectives, our preferences incline strongly towards democratic governance and so we would be averse to recommend centralized and autocratic governance as a mechanism for delivering administrative and managerial capacity.

In Pakistan's case, there is one institution that does seem to have administrative and managerial capacity to deliver as indicated above for China. Based on the traditions of the British colonial military, the Pakistani military distances itself from the population, physically and otherwise. That may be necessary for inculcating and preserving an administrative and managerial capacity that enables it to get things done efficiently. All who have exposure to the military cantonments and bases testify to the better quality of maintenance. Resources certainly help, but resources can leak via corruption or improper use without delivering much.

However, such administrative and managerial capacity and efficiency is not unique to the military. Indeed the better managed private sector firms and universities show similar excellence as do Pakistan's highway police.⁹ One could argue that such capacity was devoted to developing and sustaining a nuclear program (Pakistan's equivalent of a space race), although in our view the country would have been better served had this single minded effort been directed towards human an export drive and human development. While the military's evident managerial and administrative superiority is widely accepted among the educated public and part of popular lore, the key questions for us are whether this capacity is real and can or should it be tapped for broader economic development or whether the military represents a constraint to economic development in Pakistan's case. Let us consider a possible diffusion mechanism of the military's superior administrative and managerial ability.

It could directly engage in economic activities and diffuse success to the private sector in a competitive framework. However, the cost effectiveness or profitability of this activity is difficult to gauge because of a lack of access to the data needed for evaluation. Indeed, judging from the need for subsidies to bail out

commercial military operations, it seems much more likely that the military is not competitive in private sector activity (Siddiqa, 2007, chapter 9). A prominent England language daily, *The News International*, September 22, 2010, quoted a report of the Parliament Public Accounts Committee as stating that military run corporations were drawing a subsidy of Rs. 200 billion. This was about half the budgeted Public Sector Development Program of 406 billion for 2009-10 [Government of Pakistan, Statistical Supplement, (2010, p. 39)].

Many, though not all, such activities are headed and staffed by retired military personnel. One could argue that they carry their discipline into these activities after retirement and should contribute to success. But private sector activities are more complex and require more than military training which could be accounting for the high failure rate of the military's venture into economic activities. There is thus no compelling case to support the military's venture in private sector activity.

The military's other forays into civilian life that could have diffused a sense of discipline and efficiency has been no more successful. Retired military personal in civil society organizations bring to their work some of the strengths of their military training. However, discipline, punctuality and carrying out instructions efficiently are offset by a lack of flexibility and creativity. There is also a cultural clash of democratic norms with an autocratic and hierarchical mindset.

General Musharraf made the standard arrogant assumption held in the military that they are better than civilians in all matters and appointed serving generals to head important civil institutions including the Pakistan Cricket Board.¹⁰ WAPDA (Water and Power Distribution Authority), one of the largest utilities in the country, was put under the management of a serving general in 1999. The average annual power and distribution losses for the next five years (until 2003) increased to 25 percent of total output relative to 23 percent during the political governments (1988-1999).¹¹ The general's disastrous tenure as the head of cricket in Pakistan caused much heartburn.

Thus, Pakistan's sustained take-off is unlikely to be based on the kind of administrative and managerial capacity described for China and the military certainly cannot be relied on to diffuse such a capacity by militarizing civilian life each time they assume dictatorial power and arrest the political process. With each assumption of political power, they have made deeper inroads into civilian life and this is not in the national interest but in the interest of sustaining a larger and larger military economic empire whose beneficiaries are military personal and their families and not the general public (Siddiqa, 2007).

IS THE MILITARY'S ECONOMIC MANAGEMENT IN PAKISTAN MORE EFFICIENT?

We have argued above that the administrative and managerial capacity that the military uses to handle its affairs does not carry over to success in private sector activities, administering public corporations, or in running civil society organizations. Nonetheless, there is a widely held assumption in the military that it can much more competently manage the economy. The lack of civilian competence in this regard was stated as one of the reasons by General Musharraf for assuming power as was stated by the three other intervening generals before him. Fortunately, serving generals were not appointed in key economic positions, but it was assumed that the military administration would have the judgment to appoint competent people to improve economic performance.

There is no simple way to test the economic performance of a military administration and compare that with that of a civilian administration. Comparing the administration of General Ayub Khan (1958-69) with those that preceded or followed it might be a good test case because he was personally very hands on in economic management. His Political Autobiography, *Friends Not Masters*, suggests a development vision not unlike that of President Park Chung-hee (1961-79) of Korea. The two countries had a similar per capita GDP in the 1950s. Pakistan's per capita GDP as a percentage of the US in 1950 and 1960 was 9 percent and 7.8 percent respectively while Korea's was 7.6 percent (lower than Pakistan's) and 11.8 percent respectively. By 1995, this percentage was still stagnant at 8.3 percent for Pakistan, but it had increased to 42.4 percent for Korea.¹²

While both generals had a vision for economic development, the base they established for this was very different. General Park Chung-hee is credited for successfully industrializing the Republic of Korea and establishing the base for its economic progress to high income country status and joining the rich country club of the OECD (Organization for Economic Cooperation and Development). General Ayub Khan willingly (political advantage) or inadvertently (weakness and incompetence) ushered in an era of crony capitalism that is still the bane of Pakistan's economy. Thus, while the Korean economic team ruthlessly demanded performance (quality exports) in exchange for limited time incentives, Pakistan was shielding industrialists from both external competition via tariffs and internal competition via permits.¹³ In 2010, garments topped the list of Pakistan's high value exports¹⁴ and the cacophony of demands from industrialists for special privileges is still unceasing.¹⁵

Since, as earlier indicated, poor economic performance has been used as one of the main justifications for military intervention by all military regimes, we tested the hypothesis, using data from 1961-2009, that military regimes lead to better economic performance.¹⁶ We found that military regimes do not result in superior economic growth nor did we find that poor economic performance results in military intervention.¹⁷

Olson (1993) makes an economic case for preferring democracy over autocracy on theoretical grounds. The empirical findings regarding the association of democracy and development, mostly using cross country growth regressions, are mixed (Rivera-Batiz and Rivera-Batiz, 2002, p. 143). Bowman (2002, pp. 183-206) finds a negative association of militarization and democracy, economic growth and equity for eighteen Latin American countries.

Khilji and Akhtar (1997) provide weak support of a negative association running from dictatorship to economic growth in Pakistan but they do not use co-integration. While we have reservations regarding growth regression on theoretical and measurement grounds, we nonetheless estimated a standard growth equation using an implicit production function and time series analysis with GDP growth as the being explained by capital formation and labor in addition to regime.¹⁸ Our estimates suggest that a military regime accounts for 1.9 percent higher growth.¹⁹ However, although the result is statistically significant, we have little confidence in this result because the overall ability of the equation to explain growth, especially for a time series regression, is very poor (an R bar square of 13 percent).

We also compare the economic, social and human condition variables under the General Musharraf administration compared to that of the political administrations that preceded it (those of Prime Ministers Benazir Bhutto and Nawaz Sharif following the dictatorship of General Zia ul Haque) using data from Government of Pakistan (2010) and the World Bank's World Development Indicators (on line). The comparison is suggestive because much else could explain economic performance rather than the competence of the economic

management, civilian or military. Also, the impact of the policies of the past governments can carry over to successive governments for at least a short time period. Averaging over a number of years in each case, ten for the political governments and eight for the military government can partly resolve this problem. Ultimately, if the performance is not dramatically different, it would call into question the assumption of obvious superiority made by the military administrations.

While we do not report tables to save space, the evidence suggests there is reason to call into question this assumption since the comparative performance shows mixed results.²⁰ In reviewing the fiscal and monetary discipline of the military administration relative to the political administrations that preceded it, the most striking finding is that military allocations as a percentage of GDP were almost twice as large under civilian administrations compared to the period of military rule.²¹ It appears that when directly in charge, the military is forced to be more fiscally responsible. During nominally civilian regimes, it can bring pressure to bear behind the scene. Looney (1989, table 1) cites evidence, using World Bank data for 31 countries, showing that this seems to be more broadly the case when comparing military to civilian regimes. However, while there might have been genuine cuts elsewhere, it appears that for Pakistan the cuts are a case of smoke and mirrors.

Military allocations are often camouflaged under the head of some other ministry. Also, *The News International* on September 22, 2010 reported that General Musharraf's administration removed military pensions from the military budget in 2001. They subsequently skyrocketed from Rs. 26 billion in 2001 to Rs. 76 billion in 2010 for the three million military retirees according to the Parliament Public Accounts Committee. This amounted to an average of Rs. 24,000 per military retiree compared to Rs. 3,600 per civilian retiree. Pakistan's military allocations in budget 2010-2011 under a civilian regime represented a 16.5 percent increase relative to budget 2009-2010. In addition to this direct allocation, the Defense Division also receives an allocation from the Public Development Sector Program for military projects.²² The other surprising result is the much lower tax effort under the military government which once again calls into question their superior economic management.

Beyond this, the military government subjected itself to the discipline of the IMF and its economic management team was very comfortable with this economic ideology.²³ While this shows up in better fiscal discipline (smaller fiscal deficit), the price is paid in terms of lower development expenditure as a percentage of GDP and this shows up in low infrastructure development. Other macroeconomic indicators show better economic performance under the military administration with saving, capital formation and public and private investment as a percentage of GDP considerably higher under the military led administration relative to the civilian governments.

The better input indicators in terms of capital formation and private investment did not efficiently translate into outcome variables. The GDP growth rate of the military administration was only marginally higher than under the tenure of the civilian administrations. Also, exports as a percentage of GDP, a marker of the competitive quality of output, actually declined. However, the biggest failing was the lack of investment into the long run future growth of the economy by building productive physical infrastructure. For example, the percentage growth in installed capacity for electricity, roads, and telephones all declined multifold. The decline in growth of installed capacity of electricity from 110.8 percent to 10.5 percent could account for the electricity shortage during the last years of the Musharraf administration. Excessive load-shedding has been endemic since 2010 in the country and it is likely to continue for a while.

However, the more serious failing of the military government is a reluctance to invest in improving the social and human condition of the population. Democratic administrations are answerable to the broader electorate and ignore such delivery at their electoral peril. The commitment to education and health of the military administration was lower in terms of expenditure on these vital social sectors as a percentage of GDP. The crude outcome indicators also show a worse performance of the military in most cases with schools and hospitals getting more crowded. Even worse was the comparative performance in terms of the human condition.

Unemployment increased and the real daily wage of skilled workers decreased. It is not surprising then is that the military administration's performance was much worse on various indicators of inequality and poverty. There was negative progress in reducing the Gini coefficient and much smaller progress in reducing poverty and the poverty gap.²⁴

While inflation, which conditions real wages, was lower on average during the military administration period, it dramatically picked up in the last year of the Musharraf administration. The military government performed better on indicators of child and infant mortality rates and life expectancy, though not that of adult females. Overall however, based on economic, social and human condition variables, the assumption of overwhelming superiority of the management of the economy and society under military rule is called into question. Yes, despite this evidence, the military is likely to continue to assume that it is superior on all counts and this may have something to do with military training and the formation of the military mind-set that seems to avoid taking evidence into account.²⁵

CONCLUSION

Successive military coups in Pakistan have been justified in terms of economic incompetence and corruption of political administrations. We provide evidence in this paper that the militarization of economic life is inefficient and crowds out private sector activity. We also demonstrate that there no evidence to support the claim that military administrations are more competent in managing the economy or indeed less corrupt. There is evidence to suggest that they may invest less in social and physical infrastructure and that they term in office coincides with increased poverty and inequality and a more generalized deterioration of the human condition. This is as one might expect since they are not answerable to a political constituency.

The problem of economic development, a national project, can be thought of in terms of identifying what is most likely to galvanize the populations to accept short term sacrifices and do the hard work.²⁶ In China's case, we identified managerial and administrative capacity and patriotism as central. Patriotism does not simply emerge with crude attempts at persuasion in the syllabi and the media.

In Pakistan's case, we believe it is only likely to emerge in a deep sense once the perception is created that social justice is being administered by rolling back the military's disproportionate privileges. It might also be more possible in principle to address provincial, sectarian, and class divides that undermine national cohesion if the military was not such a heavy financial burden.

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¹ While the reference throughout this paper is to the military, the army with about 58 percent of the total active duty personnel is predominant in power and influence.

² An example of a vicious circle would be ethnic and social conflicts leading to low investment, low growth, a lack of resources and more ethnic and social conflict.

³ Rostow was criticized for merely presenting a descriptive framework rather than a theory since he presented no testable hypothesis other than a threshold saving rate and that did not prove correct. A more telling criticism was that he was completely a historical.

⁴ More complex societies continue to face more complex managerial challenges (e.g. financial collapses) and so the process of learning and moving on and facing new challenges is never ending.

⁵ Chang (2010).

⁶ Refer to Gallager and Shafaeddin (2010).

⁷ Sharon LaFraniere "Fighting Trend, China Is Luring Scientists Home," *New York Times*, Business, January 6, 2010; also refer to Zweig (2006).

⁸ This contrasts with Cuba which has stuck with its socialist philosophy and ranks as a high human development nation with an index of .863 in 2007 [UNDP, 2009, PP. 167-168]. The Gini is a measure of social inequality with complete social equality at 0 and maximum inequality at 1. Data are taken from various issues of the World Bank, *World Development Reports*.

⁹ This is a better constructed and maintained than most highways I have seen in the West and also exceptionally policed. It is an amazing demonstration of effective foreign local partnership between a foreign company (Daewoo) and a local government and also of how functioning institutions can be created against the odds. A special police force was created and trained with a much higher salary structure than other traffic police and the esprit de corps is notable (harkens back to the police reforms of British Prime Minister Sir Robert Peel in 1829). These policemen are courteous but not even a member of parliament is spared a ticket. So effective has this police force been that they were invited to police the capital with a remarkable transformation of traffic discipline from a free for all to one that is watchful and disciplined. Transparency International declared the Islamabad Tariff Police corruption free in 2009 (*Daily Times*, Wednesday, June 24th, p. A3).

¹⁰ This arrogance was carried to an extreme degree when military officers were appointed as civilian watchdogs. This created resentment and, to add insult to injury, the officers knew little about what they were supervising. This practice of inducting military personnel into civilian life was institutionalized by General Zia who set a quota of ten percent of civilian jobs in civilian administration for military personal [Aziz (2008, p. 71)].

¹¹ World Bank, World Development Indicators (on line).

¹² [commons.wikimedia.org/wiki/File:Per_capita_GDP_of_South_Asian_economies_&_SKorea_\(1950-1995\)](https://commons.wikimedia.org/wiki/File:Per_capita_GDP_of_South_Asian_economies_&_SKorea_(1950-1995)).

¹³ Refer to Wade (2004) for a review of Korean economic development strategy and Papanek (1967) for Pakistan's economic development strategy at an equivalent time period. Korea's experience shows that a national project can be autocratically induced. While this is superior to a predatory dictatorial regime, we view achieving an economic take-off with public identification and participation in a common national project as superior.

¹⁴ In July-April 2009-2010, at 53 percent of total exports, textiles topped the list of Pakistan's exports [Government of Pakistan, (2010, p. 89)] while in 2010 Korea was edging out Japan in automobile exports to the US market.

¹⁵ In 2010, there was a virtual Textile war. The spinning sub-sector was demanding cheap cotton, the weaving sub-sector cheap yarn, and the garment sub-sector cheap fabric. Each was demanding this at the expense of the other sub-sectors earlier in the value chain and the imposition of export restrictions was the common demand.

¹⁶ Data were drawn from the World Bank's World Development Indicators (on line).

¹⁷ Our tests only explored a limited form of causality referred to in the time series econometric literature as Granger causality. For a basic treatment of the subject, refer to Gujarati (1995, pp. 620-23).

¹⁸ The Johansen Co-integration test suggested our growth equation was co-integrated at the 5 percent level.

¹⁹ Also, the result is clearly not robust since both investment and labor are statistically insignificant in explaining economic growth. Most important, we only found investment data between 1980 and 2008, and hence missed about half the relevant economic history.

²⁰ For the tables refer to Khan and Akhtar (forthcoming, chapter 1).

²¹ In 2008, Pakistan Armed Forces were almost three times larger as percent of the labor force (1.65) than the Indian Armed forces (0.57); On-line World Bank, World Development Indicators, <http://databank.worldbank.org/ddp/home.do?Step=12&cid=4&CNO=2>.

²² These are non-trivial allocations and for 2010-2011 amounted to 5.86 percent of the total Public Sector Development Program, http://app.com.pk/en_/index.php?option=com_content&task=view&cid=105227&Itemid=174.

²³ Civilian governments, including the current one (2008 --) have also been subject to the discipline of the IMF. However, in the past, there have been many recriminations on the part of these financial institutions about violations of conditionality while the military government of General Musharraf was given high marks in this regard [refer to Khan (2007)].

²⁴ The numbers understate the performance of the political governments or overstate the performance of the military government in terms of the reduction of the poverty gaps. Since the gap had already been reduced by the political governments, a given percentage reduction by the military government means a smaller absolute reduction since the base is smaller. Thanks are due to Christopher Kingsley for pointing this out.

²⁵ Huntington (1959, chapter 3) uses the expression “The Military Mind” and provides associated references to earlier use.

²⁶ Chang (2006) points out that even when Korea became a successful auto producing country, it continued for a while to have lower per capita consumption of cars than in low income countries of Sub Saharan Africa and South Asia with a much lower per capita GDP.