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A REVIEW OF PAKISTAN'S DEVELOPMENT  
EXPERIENCE (1949-50 TO 1979-80)

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## Chapter 1

### Structure of Growth

#### Growth in GDP

The performance of Pakistan's economy has varied considerably over time. To obtain a comprehensive view of varying trends during the years from 1949-50 to 1979-80 it has been found better to divide this period into three sub-periods: (i) from 1949-50 to 1959-60, (ii) from 1959-60 to 1969-70, and (iii) from 1969-70 to 1979-80.

A comparison of growth performance of various sectors for the three periods shows that whereas growth rates were either stagnant or uneven during the first and third periods, the second period exhibited a relatively broader based development, which was reflected in a steady upward trend in growth rates for nearly all sectors (See Table 1).

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Table 1

Growth Rates of GNP, GDP  
and different Production  
Sectors<sup>1</sup>  
(1949-50 to 1979-80)

(Percent per annum)

	Growth Rates		
	1949-50 to 1959-60	1959-60 to 1969-70	1969-70 to 1979-80
Commodity Producing Sectors	2.60	6.22	2.97
Agriculture	1.58	5.01	2.35
Mining and Quarrying	10.00	8.41	4.76
Manufacturing	7.70	9.90	4.29
Large-Scale	15.39	13.31	3.27
Small-Scale	2.30	2.91	7.30
Services Sectors	3.85	7.45	6.24
Construction	9.08	12.26	6.90
Electricity, Gas	12.41	22.07	9.13
Transport, Storage	4.43	7.85	5.58
Wholesale, Retail Trade	3.61	7.79	4.55
Banking, Insurance	11.27	13.72	8.52
Ownership of Dwellings	2.85	2.88	3.56
Public Administration and Defence	1.84	7.10	9.61
Services (others)	3.98	4.39	5.52
GDP	3.10	6.75	4.54
GNP	3.10	6.77	5.18
Mid-Year Population	2.00	2.86	3.00
Per Capita Income	0.61	3.81	2.11

Source: Calculated from Appendix Table 1

<sup>1</sup>: Growth Rates are annual compound rates.

The performance of commodity-producing sectors was generally depressed during the first and third periods. During the first period commodity-producing sectors grew at an annual compound rate of 2.6 percent due largely to rapid growth of large-scale manufacturing sector. The agricultural sector was, however, stagnant during this period. Though the situation improved considerably towards the end of the decade the years during the period from 1951 to 1953 witnessed near-famine conditions because of inclement weather. As a result, per capita availability of domestic agricultural output declined as population growth rate of around 2 percent exceeded that of agricultural production.

The agricultural sector performed slightly better during the third period as value-added grew at an average annual rate of growth of 2.4 percent during most of the Seventies. While performance improved visibly during the last three years of the decade the growth rate of agricultural sector during the period from 1969-70 to 1979-80 was still much less than the rate of population growth of 3 percent.

As mentioned earlier, the years during 1959-60 to 1969-70 witnessed a consistent upward trend in growth rates of all sectors. Within the commodity-producing sectors the fastest rate of growth of a little over 13 percent was registered by large-scale manufacturing sector. Agriculture, too, logged an impressive rate of growth of 5 percent. As a



result, per capita availability of commodity output increased steadily throughout this decade.

The services sector also logged an impressive rate of growth of over 7 percent per annum and contributed substantially to the rapid growth of GDP during this period.

Throughout the years from 1949-50 to 1979-80 services sectors grew at a rate, which was much higher than rate of growth of commodity-producing sectors. This was quite expected during earlier periods when basic infrastructural facilities were being constructed. However, during later years the combination of rapidly growing services sectors and stagnating commodity output led to accumulation of inflationary tendencies in the economy which manifested themselves especially during the first half of the Seventies.

#### Composition of GDP

The rapid growth of the services sector led to a significant change in composition of GDP. Table 2 shows that while the share of commodity-producing sectors fell from a little over 61 percent in 1949-50 to only 47.6 percent in 1979-80, that of services sectors increased from 38.8 percent to 52.4 percent during the same period.

Table 2

Percentage Share of Different Sectors  
in Gross Domestic Product  
(1949-50 to 1979-80)

	1949-50	1959-60	1969-70	1979-80
Commodity Producing Sectors	61.16	58.24	55.41	47.60
Agriculture	53.19	45.83	38.88	31.45
Mining and Quarrying	0.22	0.42	0.49	0.50
Manufacturing	7.75	11.99	16.04	15.65
Large-Scale	2.23	6.89	12.50	11.06
Small-Scale	5.52	5.10	3.54	4.59
Services Sectors	38.84	41.76	44.59	52.40
Construction	1.44	2.54	4.20	5.24
Electricity, Gas	0.22	0.52	1.98	3.04
Transport, Storage	4.98	5.66	6.26	6.91
Wholesale, Retail Trade	11.91	12.51	13.78	13.79
Banking, Insurance	0.44	0.95	1.79	2.60
Ownership of Dwellings	5.10	4.97	3.44	3.13
Public Administration and Defence	7.04	6.23	6.43	10.33
Services (others)	7.70	8.39	6.71	7.36
GDP	100.00	100.00	100.00	100.00

Source: Appendix Table 2.

Within the services sectors the fastest growing sectors were electricity and gas followed by banking and insurance, construction and public administration and defense. By 1979-80 trade still accounted for the largest share (13.79 per cent)

among services, but the share of public administration and defense had increased to 10.3 percent from 7.0 in 1949-50, while transport, electricity, gas and construction sectors together accounted for a little over 15 percent.

The increase in shares of various services sectors occurred at the expense of agriculture sector whose share fell from 53.2 percent in 1949-50 by 7 to 8 points in every decade so that by 1979-80 it constituted only 31.5 percent of GDP. The share of manufacturing sector increased steadily throughout the period from 1949-50 to 1969-70 but in the subsequent decade it declined slightly despite an increase in share of small-scale manufacturing sector. The steady decline in importance of commodity producing sectors was an unhealthy sign for a developing economy like Pakistan since it reflected an increased dependence on imports, on foreign resources for financing investment and pointed to the phenomenon of stagflation. (See 28 ).

#### Money Supply and Stagflation

Table 3 shows the difference between growth rates of money supply and commodity-producing sectors, which gives a rough measure of stagflation experienced by the economy.

Table 3

Growth Rates of Monetary Assets and Real  
GDP  
(1959-60 to 1979-80)

	(Percent per annum)			
	1959-60 to 1964-65	1964-65 to 1969-70	1969-70 to 1976-77	1976-77 to 1979-80
(1) Growth of Money Supply :	11.54	11.10	17.62	20.54
(2) Growth of Commodity Producing Sectors	5.66	6.78	1.92	5.46
Excess of (1) over (2)	5.88	4.32	15.70	15.08

Source: Calculated from [44] and [38]

The rapid expansion in money supply during the Seventies was a radical departure from earlier practice since monetary policy in Pakistan had by tradition been conservative in nature. Monetary expansion during the period from 1955 to 1960 was only moderate. In the first half of the Sixties this expansion registered an annual compound rate of a little above 11 percent and accounted for over 15 percent of total government expenditure. However, growth in output of commodity-producing sectors and especially of agriculture sector absorbed most of the increase in monetary expansion so that its impact on price level was only minimal.

For most of the years during the later half of the Sixties a restrictive monetary policy was followed that sharply curtailed expansion of money supply. The primary aim of this policy was to dampen inflationary effect of increased non-development expenditure that stemmed from the September 1965 war with India. However, to an extent, this policy proved to be counter productive since contraction in money supply, while commodity production expanded led to creation of deficit in availability of domestic resources for development. Moreover, to maintain support prices for agricultural commodities development expenditure had to be further curtailed in order to generate the required resources.

During the Seventies the rate of growth of money supply increased from 17.6 percent during the period from 1969-70 to 1976-77 to 20.5 percent during the remaining years of the decade. However, growth in excess demand for monetary assets was stable around 15 percent throughout the decade. This was due to revival of commodity-producing sectors, which during the period from 1976-77 to 1979-80 registered a growth rate of over 5 percent, which was much higher than growth rate of less than 2 percent in the earlier years of the decade. As a result, inflation rate which had climbed to 14.3 percent during most of the Seventies was brought down to 7.5 percent towards the end of the decade.

(See Table 4).

Table 4

Inflation Rates in Pakistan  
(1949-50 to 1979-80)

Years	(Percent per annum) Rates of change in the General Price Level.
1949-50 to 1954-55	4.7
1954-55 to 1959-60	3.8
1959-60 to 1964-65	<b>2.6</b>
1964-65 to 1969-70	3.2
1969-70 to 1976-77	14.3
1976-77 to 1979-80	7.5
<hr/>	
1949-50 to 1959-60	<b>4.3</b>
1959-60 to 1969-70	2.9
1969-70 to 1979-80	<b>11.6</b>

Source: Calculations are based on data obtained from [37].

Chapter 2

Trends in Commodity Production

Agriculture:

Till the Sixties the state of agriculture sector was characterized by low productivity and stagnation. It registered an annual compound growth rate of around 1.6 percent, which was much less than rate of population growth. As a result, per capita availability of domestic agricultural products declined throughout this period. Since agriculture sector had a share of no less than 50 percent in GDP its stagnating growth rates had a depressing effect on overall performance of the economy during this period.

The stagnation in agriculture sector was due to a combination of structural, technical and administrative factors. The land tenure system, that included parasitic production relations was inefficient and inequitable. It was plagued by concentration of land ownership, exploitation of tenants and by absentee landlordism. Over three fifths of cultivable land belonged to less than 100,000 big landlords. Furthermore, lack of irrigation water made agricultural production precariously dependent on weather while shortage of fertilizer, agricultural machinery, credit, farm-power contributed to low productivity of agriculture sector. During the years from

1951 to 1953 a series of bad harvests led to complete reversal of the little advances that had been made in agriculture sector. Though cultivated area increased for most crops production did not increase proportionately. This was due to decline in yield per acre for most principle crops, including wheat and sugarcane. (See Table 7).

Table 5

Area Under Principle Crops and Growth Rates<sup>1</sup>  
(1949-50 to 1979-80)

	Five Year Average Area (000 Hectares)				Growth Rates <sup>1</sup> (Percent per annum)		
	1949-50	1959-60	1969-70	1979-80	1949-50 to 1959-60	1959-60 to 1969-70	1969-70 to 1979-80
	Foodgrains	6829	7666	9450	10473	(1.2)	(2.1)
Wheat	4180	4775	6029	6780	(1.3)	(2.4)	(1.2)
Rice	883	1165	1511	1973	(2.8)	(2.6)	(2.7)
Bajra	899	807	758	581	(-1.1)	(-0.6)	(-2.6)
Jawar	483	455	523	446	(-0.6)	(1.4)	(-1.6)
Maize	384	464	629	693	(1.9)	(3.1)	(1.0)
Cash Crops	1858	2334	2934	3292	(2.3)	(2.3)	(1.2)
Sugarcane	197	411	571	806	(7.6)	(3.3)	(3.5)
Rape Seed and Mustard	452	522	507	421	(1.5)	(-0.3)	(-1.8)
Cotton	1192	1362	1795	2018	(1.3)	(2.8)	(1.2)
Tobacco	17	39	61	47	(8.7)	(4.6)	(-2.6)

Source: Calculated from [38]

1: Growth Rates are annual compound growth rates.



While cultivable area registered minor increases and yields stagnated agricultural labour force increased at a rate of around 2 percent during this period (See Table 16). This led to worsening of land-man ratio and decline in availability of agricultural surplus.

Table 6

Production and Growth Rates of Principle  
Crops<sup>1</sup>  
(1949-50 to 1979-80)

	Average Five Year Production (000 <sup>1</sup> Tonnes)				Growth Rates (Percent per annum)		
	1949-50	1959-60	1969-70	1979-80	1949-50 to 1959-60	1959-60 to 1969-70	1969-70 to 1979-80
Foodgrains	5388	5879	10167	15054	(0.9)	(5.6)	(4.0)
Wheat	3664	3844	6739	10469	(0.5)	(5.8)	(4.5)
Rice	768	1024	2079	3179	(2.9)	(7.3)	(4.3)
Bajra	337	319	352	282	(-0.5)	(1.0)	(-2.2)
Jawar	236	220	296	255	(-0.7)	(3.0)	(-1.5)
Maize	383	472	701	869	(2.1)	(4.0)	(2.2)
Cash Crops	6670	12682	22972	31363	(6.6)	(6.1)	(3.2)
Sugarcane	6246	12089	22026	30360	(6.8)	(6.2)	(3.3)
Rape Seed and Mustard	181	231	266	283	(2.5)	(1.4)	(0.6)
Cotton	218	301	566	648	(3.3)	(6.5)	(1.4)
Tobacco	25	61	114	72	(9.3)	(6.5)	(-4.5)

Source: Calculated from [38]

1: Growth Rates are annual compound growth rates.

During the period from 1949-50 to 1959-60 the agriculture sector also suffered from strict administrative control over procurement of surplus food-grains at less than market prices and other coercive regulations that had their roots in the colonial system of administration.

Table 7

Yield Per Acre and Growth Rates  
of Principle Crops<sup>1</sup>  
(1949-50 to 1979-80)

Crops	Five Year Average for Yield Per Acre (t/1000 Tonne per Acre)				Growth Rates (Percent per annum)		
	1949-50	1959-60	1969-70	1979-80	1949-50 to 1959-60	1959-60 to 1969-70	1969-70 to 1979-80
	Wheat	877	805	1113	1544	(-0.9)	(3.3)
Rice	370	379	1375	1611	(0.1)	(4.6)	(1.6)
Bajra	375	395	464	485	(0.5)	(1.6)	(0.4)
Jawar	489	484	566	572	(-0.1)	(1.6)	(0.1)
Maize	997	1017	1114	1254	(0.2)	(0.9)	(1.2)
<b>Cash Crops</b>							
Sugarcane Tonnes Per Hectare)	32	29	39	38	(-1.0)	(3.0)	(-0.3)
Rape Seed and Mustard	400	443	525	672	(1.0)	(1.7)	(2.5)
Cotton	183	221	315	321	(1.9)	(3.6)	(0.2)
Tobacco	1471	1564	1869	1532	(0.6)	(1.8)	(-2.0)

Source: Calculated from [ 38 ]

1: Growth Rates are annual compound growth rates.

A significant improvement in agriculture sector was during registered/ the subsequent decade from 1959-60 to 1969-70. However, /even though cultivated area increased only slightly (See Table 5) production of nearly all principle crops rose significantly because of substantial improvement in yield per acre. This improvement stemmed, primarily, from extensive use of fertilizers, high-yielding varieties of seeds, irrigation water, tractors etc.

Table 8

Selected Agricultural Inputs Availability and Growth Rates  
(1959-60 to 1979-80)

	Water Availability (Million Acre Feet)	Fertilizer (Thousand N Tonnes)	Tubewells (Numbers)	Tractors (Numbers)
(1)	(2)	(3)	(4)	(5)
1959-60	48.17	19.4	5624	3642
1964-65	61.49	87.2	36469	12593
1969-70	75.50	307.7	86754	26485
1974-75	77.02	425.5	137102	37877
1979-80	94.14	1044.1	178720	131159

  

	Growth Rates <sup>1</sup> (Percent per annum)			
1959-60 to				
1964-65	5.0	35.1	45.3	28.2
1964-75 to				
1969-70	4.2	28.7	18.9	16.0
1969-70 to				
1974-75	0.4	6.7	9.6	7.4
1974-75 to				
1979-80	4.1	19.7	5.4	28.2

Source: Column (2) for 1959-60 to 1964-65 Calculated from 33

For 1969-70 to 1979-80 38

: Column (3) for 1959-60 33

For 1964-65 to 1979-80 38

: Column (4) for 1959-60 to 1964-65 calculated from 6 and 52

For 1969-70 to 1979-80 36 and 38

: Column (5) Calculated from 42

1: Growth rates are annual compound growth rates.

Table 8 shows the rapid increase in use of essential farm-inputs during the period from 1959-60 to 1964-65. No small role in this was played by government subsidization programmes which were made possible, to a large extent, by supply of food-grains under the US aid programme. These supplies helped to stabilize food-grain prices, made resources available for investment programmes, provided industrial raw materials at low prices and enabled switch-over from food-crops to cash-crops for export.

However, government's development programme for agriculture sector was confined to removing only technical and administrative constraints, or in other words, the development efforts were limited to extending opportunity space of farmers. The structural set-up remained the same despite the 1958-59 land-reforms and administrative "de-control" of input distribution which, in essence, strengthened the private sector and reinforced social inequality. (See 20)

The performance of agriculture sector during the Seventies was modest-for the decade as a whole an annual compound growth rate of 4.0 percent was attained. However, impressive increases in agricultural output were visible only towards the fag end of the decade while for most of the Seventies, agricultural production stagnated. Furthermore, the growth of this sector was not balanced since not all crops grew at the same time and while food-crops registered impressive increases most of cash-crops stagnated. Towards the end of the decade the most significant achievement was attainment of foodgrains self-sufficiency though some imports still had to be made to build essential reserves.

The improvement in agriculture sector in the later half of the Seventies was due in no small measure to persistently clement weather and acreage increases. However, yield per acre of principle crops, despite minor increases during the decade, was still among the lowest in the world and improvement in agricultural productivity remained the crucial constraint to agricultural growth.

#### Strategy for Agricultural Development.

Until the Sixties the development of agriculture sector did not receive much priority in government policy. During this time the policies designed for it were, in essence, measures to extract surplus to finance industrialization. This was secured

through a series of strict administrative controls over procurement of agricultural commodities. Resources for industrialization were also generated through the over-valued exchange rate, which biased against agricultural exports in favour of imports of capital goods. The general neglect of agriculture sector led to worsening of land-man ratio and as population expanded there was no compensating increase in cultivated area nor in output per acre. Furthermore, the inequitable system of land ownership, which was characterized by extreme form of exploitation continued to plague agriculture sector.

During the early Fifties the terms of trade moved against agriculture in favour of industry. The situation deteriorated further as exchange rate was not adjusted to counter-balance fall in world prices of agricultural commodities, which fell further in the aftermath of Korean-war boom. As a result, a glut of agricultural products was created, which seriously affected the sector's overall performance and led to decline in the country's export earnings. Instead of devaluing the Rupee in response to exchange crisis direct controls were instituted which biased heavily in favour of industry.

As a result of combined action of these factors, by the end of the Fifties, the country had been converted into a large net importer of food commodities and scarce resources had to be diverted from industrial development for their import. Only

when the decline in production of agricultural raw materials became a serious constraint to industrial development did agricultural development begin to receive serious attention from the government.

The modernization strategy adopted for agriculture sector emphasized use of production technologies of developed countries without instituting reforms in social structures. The starting point of development was the prevailing class interrelationships and traditional land tenure system. Since production was considered to be wholly determined by a few parameters like cultivable land acreage, crop yields etc. it was thought that increase in supply of these inputs would lead to higher production. A massive programme to build agricultural infrastructure and to supply subsidized inputs was initiated without considering the choice between bringing new land under cultivation and providing old lands with additional inputs. Very often actual use lagged behind efforts to bring new land under cultivation. Furthermore, availability of inputs and expansion of cultivable area did not necessarily imply development since it led only to extension of opportunity space rather than to intensive use of inputs. (See [ 20 ] ).

It was mentioned earlier that agricultural development strategy did not emphasize reform of prevailing social structures. In fact, its successful outcome depended on positive response of rich elite farmers. In so far as the problem was

one of substituting food imports by generating a marketable surplus subsidy programmes benefitted large farms, which had greater ability to produce surplus even though their efficiency was low and they could not survive without preferential treatment. The implementation of land reforms and break-up of land concentration would have not only raised efficiency of agricultural sector but also led to increase in labour demand. (See [19]).

The obvious consequence of elite-farmer-strategy was deterioration in regional rural inequality. The early beneficiaries of subsidized inputs were concentrated in areas of central Punjab which had large aquifer reserves since exploitation of underground water resources in combination with high yielding varieties of seeds and fertilizers led to adoption of cropping patterns of higher value. In fact, this was part of the mechanism by which foreign exchange earnings were transformed into capital goods imports. The supply of foodgrains under PL-480 programme enabled to substitute cash crops for food crops while the former were subsequently exported to earn foreign exchange which was utilized mainly for industrialization.

Though availability of foodgrains under the aid programme raised domestic nutritional standards and kept prices of agricultural commodities low it was obvious that to make the most of the breathing spell provided by aid quick changes were required in the pattern of production. But these were not forthcoming



and after the war with India in 1965 it became obvious that not benefits of aid programme were not much since the procurement of food-grains involved expenditure greater than gains from substituting fibre crops for food crops. But there was at least one major long-term benefit. Many farmers were forced (because of higher profit margins in commercial crops) to intensify use of various inputs and adopt new techniques of production. (See [ 7 ] ).

A substantial improvement in agriculture sector was possible only during a few years in the Sixties. Though increase in water availability and other vital inputs contributed significantly to good performance a substantial role was also played by favourable weather conditions. Furthermore, whatever growth was registered by this sector was not broad-based. The primary impetus was provided by major crops while growth of minor crops was not substantial. Despite greater use of inputs average farm productivity remained only one-half to one-third of potential level; fertilizer consumption only a third of optimal requirements while plant protection was provided to less than ten percent of cropped area and irrigation water met less than three fifths of actual requirements.

### Manufacturing

During the three decades under review performance of manufacturing sector as compared with that of other commodity-

producing sectors was impressive. Large-Scale manufacturing was the fastest growing sector during the Fifties, registering an annual compound growth rate of a little over 15 percent. As a result, despite the poor showing of small-scale manufacturing, the share of value-added in manufacturing sector as a whole, increased from only 7.8 percent of GDP in 1949-50 to almost 12 percent in 1959-60. The relatively faster growth of this sector during the Sixties further increased its share of GDP to over 16 percent (See Table 2)

The rapid industrialization during the Fifties was a significant achievement as it reflected a remarkable adjustment to a new regime for the economy, whose traditional source of supply of manufactured goods and main market of agricultural commodities had been cut-off at the time of independence. In fact, the low level of domestic supply of manufactured products proved to be an important source of industrial growth in the immediate post-independence years. The prosperity arising from increased exports during the Korean War combined with rapid urbanization further increased demand for industrial goods while curtailment of imports due to foreign exchange constraints, after the collapse of the export boom, led to a protected market for manufactured goods. The maintenance of an over-valued exchange rate and direct tax concessions also contributed significantly to raising profitability of new investment. There is evidence that suggests that during the Fifties import-substitution was the most important source of growth for manufacturing sector. Later, during the early Sixties domestic demand 'took over' as the major impetus to industrial growth. (See [ 45 ] ).

Table-9

Selected Manufacturing Industries:  
Production and Growth Rates<sup>1</sup>  
(1949-50 to 1979-80)

Industries	1949-50	1959-60	1969-70	1979-80	Growth Rates (Percent per annum)		
					1949-50 to 1959-60	1959-60 to 1969-70	1969-70 to 1979-80
Cotton Yarn (Million K.G.)	12.1	160.4	273.2	362.9	29.5	5.5	2.9
Cotton Cloth (Million Sq.Mts)	46.3	455.0	606.5	342.3	25.7	2.9	-5.6
Sugar (000 Tonnes)	17.0	84.0	610.0	573.7	17.3	21.9	-0.6
Vegetable Ghee (000 Tonnes)	4.0	29.0	126.0	460.0	21.9	15.8	13.8
Cigarettes (Billion Nos)	1.5	8.2	22.4	36.2	18.5	10.6	4.9
Nitrogenous Fertilizer (000 N.Tonnes)	-	8.9	129.3	389.9	-	30.7	11.7
Phosphatic Fertilizer (000 N.Tonnes)	-	0.1	4.2	51.5	-	45.3	28.5
Cycle Tyres and Tubes (000 Nos)	112.0	3079.0	6727.0	8083.0	39.3	8.1	1.9
Bicycles (000 Nos)	-	-	161.3	279.4	-	-	5.6
Electric Fans (000 Nos)	-	-	161.8	288.5	-	-	6.0
Writing Paper (000 Tonnes)	-	-	-	24.0	-	-	-
Ms Products (000 Tonnes)	-	-	180.0	420.9	-	-	8.9
Cement (000 Tonnes)	395.0	982.0	2656.0	3343.0	9.5	10.5	2.3

Source: Calculated from [37].

1: Growth rates are annual compound growth rates.

Table 9 shows that during the Fifties rapid industrialization was due largely to expansion of consumer goods industries. Textiles and manufactured food products registered impressive rates of growth of much over 20 percent per annum. As a result, towards the end of the Fifties consumer goods sector dominated large-scale manufacturing with a share of little over 60 percent in total value-added in large-scale manufacturing sector (See Table 10).

Table 10

Structure of Large-Scale Manufacturing Sector and Growth Rates of Value-Added (1959-60 to 1970-71)

Sectors	Share in Value-Added (Percentage)			Annual Rates of Growth (Percent per annum)	
	1959-60	1963-64	1969-70	1959-60 to 1964-65	1963-64 to 1970-71
Consumer Goods	60.2	54.6	80.0	13.0	14.5
Intermediate Goods	22.6	21.1	7.0	15.0	11.2
Capital Goods	17.2	24.3	13.0	26.0	7.2

Source: [ 22 ].

The working of linkage effects during subsequent years caused rapid growth of intermediate and capital goods industries while large inflow of foreign aid facilitated import of capital goods, which along with massive government investment for infrastructural development contributed substantially to industrial growth. (See [14] ) and ([24] ).

The curtailment of foreign aid following the 1965 war with India discouraged growth of intermediate and capital goods sectors, which were capital intensive and depended largely on foreign financing. As a result, during the later half of the Sixties growth rates for these sectors dropped to around 11 percent and 7 percent respectively and by 1969-70 contributed only 20 percent of value added in manufacturing. The structure of protection, which was heavily biased in favour of consumer goods was also an important factor that discouraged import of capital goods. (See [47] ).

The pattern of industrialization prevalent in the later half of the Sixties had by this time become an obstacle that prevented subsequent rapid growth of the sector. Once consumer goods sector had been saturated high growth rates would have been possible only with the expansion of intermediate and capital goods sectors. But lack of incentives and foreign exchange constraints prevented development of these industries. As a result, private investment in industry, measured in real terms, began to fall towards the end of the Sixties. Table 9

shows that even during the Seventies with exception of cigarettes and bicycle industries production either stagnated or declined for industries in private sector. Sustained and significant increases in production were attained only by vegetable ghee and fertilizer industries, which were both in the public sector.

The sugar and textile industries, which were in the private sector and contributed around 30 percent of value-added in large-scale manufacturing, registered negative rates of growth. This was a matter of concern since textile industry had developed within a highly protected market and was supported by tax concessions and incentives. But by the Seventies, plant machinery had become out-dated and productivity had begun to decline which adversely effected exports and led to reduction in the country's share of world textile exports. An interesting feature of industrial development during the Seventies was that while traditional industries stagnated and in some cases even declined, non-traditional industries and small-scale manufacturing registered consistent and substantial gains in production and in their share of value-added in manufacturing sector. This is explained, partly, by massive devaluation in the early Seventies, which acted as an incentive for industries that earlier received neither fiscal support nor benefitted from exchange controls. On the other hand, profitability was considerably reduced of industries that had, under the old system, been protected by high tariffs and provided

incentives through dual exchange control system. Furthermore, abolition of incentives revealed an inefficient technological structure of traditional industry. Excessive protection had produced allocative inefficiencies and over-capitalization arising from capital cost-reducing policies had led to excess capacity. (See 28 ).

### Strategy for Industrial Development

The over-valued exchange rate during the early years after independence acted as a strong incentive for industrialization. Capital-goods imports were subsidized at the expense of primary-goods exports. The over-valuation persisted despite devaluation in 1955 because by this time rising domestic prices had further reduced real value of Rupee. But this was not the only means by which resources were generated for development of industrial sector. The prices of agricultural commodities were kept at a low level to subsidize urban consumption. As a result, wages also remained depressed while industrial raw materials were procured at low cost.

This policy was continued till the Seventies while during the Second and Third plan periods it was reinforced with the help of large inflows of foreign aid. Attempts were also made to revive agriculture sector by developing cash crops but with the aim of increasing export earnings which could later be utilized for industrialization. Till the mid-Fifties import-substitution

provided the major impetus to industrial growth. In the subsequent decade, domestic demand took over the lead and still later the growth impulse was distributed more or less evenly between import-substitution, domestic demand and export expansion. The policy of import-substituting industrialization had its negative effects as well. The inefficient allocation of resources led to high profits, under-utilization of capacity and waste. The high level of protection given to consumer goods industry continued right till the Seventies which negatively influenced overall growth of manufacturing sector. Once growth dynamism due to rapid development of consumer goods industries had petered out the emphasis should have been placed on development of intermediate and capital goods industries. This was the only way in which high rates of growth of manufacturing sector could have been sustained. But consumer goods industries continued to be excessively protected. As a result, by the end of the Sixties this industry had a share of around 80 percent in total value added in large scale manufacturing which led to imbalance in structure of production since bulk of requirements of intermediate and capital goods industries continued to be met from imports. Only a very small elite of traders and merchants was able to utilize opportunities opened by industrialization policy. And because of lack of competitive market this led to creation of monopolies which operated inefficiently, utilized resources in a way that did not reflect factor endowments of the country and manipulated markets to their advantage. As a result, a high degree of inefficiency prevailed in consumer goods industries. There is evidence that many industrial units contributed negative value added when measured at world prices. (See 16a, 47 and 53 ).



The most disturbing feature of industrialization policy was its almost open advocacy of inequality. Since the main constraint to industrialization was considered to be domestic savings it was found necessary to mobilize them by encouraging high-saving sectors. This implied, in essence, the neglect of stagnating and subsistence agriculture sector and development of large-scale manufacturing sector.

In actual practice industrial sector failed even to generate high rate of savings. Moreover, no serious attempt was made to raise savings in urban areas by curtailing consumption. As a result, a situation of stagnating demand led to excess capacity and ran counter to the strategy of accelerating growth through reinvestment of industrial profits.

#### Investment and Savings

The high growth rate of GDP observed in the first post-independence decade and due largely to growth in manufacturing and certain services sectors was reflected in investment levels during corresponding years. The volume of investment at current prices increased steadily throughout the three decades from 1949-50 to 1979-80 (See Appendix Table II). The rates of increase of investment were, however, different for different periods. The fastest rate of increase was registered during the second half of the Fifties and early Sixties. As a result,

investment rate attained a peak of around 22 percent during the mid-Sixties. But while the Third Plan (1965-70) hoped to maintain investment rate above 20 percent, a combination of adverse exogenous factors (war with India, reduction in foreign aid, poor harvests etc.) led to decline of over 5 percent in investment rate. Though a slight improvement was registered during the Seventies investment levels of mid-Sixties were not attained; and this occurred despite revival of private investment and considerable efforts in public sector to increase investment (See Table 11).

Table 11.

Gross Domestic Investment Percentage  
Distribution and (Rates)<sup>1</sup>  
(1959-60 to 1979-80)

(Percent shares).

	Private Sector	Public Sector	Total <sup>2</sup>
1959-60	50.9 (5.8)	49.1 (5.6)	100 (11.6)
1964-65	54.0 (11.5)	46.0 (9.8)	100 (21.5)
1969-70	51.1 (7.3)	48.9 (7.0)	100 (15.8)
1974-75	32.1 (4.6)	67.9 (9.8)	100 (16.2)
1979-80	32.0 (5.3)	68.0 (11.2)	100 (17.3)

Source: Appendix Table II

1: Percent of GDP at Current Market Prices.

2: Includes changes in stocks.

The increase in investment in the immediate post-independence years occurred, mainly, in private sector and was due to inflow of capital as a result of migration of muslim traders from

India. During the period of the First Five Year Plan (1955-1960) private investment was encouraged through adoption of import-substitution policies, licensing of imports etc. This produced wind-fall profits in trade and consumer-goods-industries which because of high returns were recycled into investment.

Public sector investment plan was not implemented completely though significant headway was made in construction of infrastructural facilities and establishment of industrial units where private sector was slow in coming. By 1959-60, public sector investment constituted almost half of the total but when private investment began to slow down during the late Sixties public sector assumed a greater role in investment financing. A number of factors contributed to the slow-down of private investment. Among the more important was nationalization of industrial assets during the early Seventies. Moreover, the elimination of over-valued exchange rate reduced incentive for capital goods imports and made new investment less profitable. Overall nominal investment, however, doubled every five years during the Seventies thanks to increase in public investment. That the significant increase in investment did not have a corresponding impact on growth, especially during the early Seventies, is explained by the composition of public investment outlays which were biased in favour of large, capital-intensive industrial units with long gestation periods.

Growth of Fixed Capital Formation by Economic Sectors<sup>1</sup>

(1964-65 to 1979-80)

(Percent per annum)

	Growth Rates								
	From 1964-65 to 1969-70			From 1969-70 to 1974-75			From 1974-75 to 1979-80		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Commodity Producing Sectors	0.5	-7.6	-4.9	12.3	4.1	7.6	28.0	19.0	23.6
Agriculture	-0.3	5.7	1.4	0.4	12.2	4.7	-6.9	23.9	11.1
Manufacturing	6.1	1.7	2.2	42.8	0.6	9.7	44.0	15.8	30.8
Large-Scale	-	1.0	3.8	42.9	-3.9	8.1	44.1	17.1	33.7
Mining and Quarrying	3.5	3.1	3.2	48.3	11.5	28.3	13.6	9.9	12.4
Services Sectors	9.5	0.8	5.2	33.0	12.5	25.8	16.5	19.1	17.2
Construction	-	9.9	9.9	-	0.4	0.4	-	9.2	9.2
Ownership of Dwellings	-	1.0	1.0	-	17.7	17.7	-	21.5	21.5
Public Administration	9.6	-	9.6	28.9	-	28.9	12.6	-	12.6
Others Services	9.4	0.3	4.3	36.6	10.3	26.3	19.1	17.7	18.8

Source: Calculated from Appendix Table III

1: Growth Rates are annual compound rates.

Table 12 shows growth rates of private and public investment in various economic sectors. As a result of varying growth rates during the period from 1964-65 to 1974-75 there was continuous decline in share of commodity-producing sectors in favour of services sectors (See Table 13). The consistent increase in share of investment in services sectors was not a healthy sign for the economy as it pointed to the relatively slower increase in availability of commodity output, which in a situation of rising incomes leads to increased pressure on foreign exchange resources and to strengthening of inflationary tendencies. During the Sixties the major portion of public sector investment in commodity producing sectors went to agriculture. However, during the subsequent decade importance of public sector investment declined gradually as expenditure on Indus Basin Works decreased. As a result, by end of the decade its share had dropped to only 2.8 percent of the total. On the other hand, private sector investment in agriculture increased steadily. This was partly due to increasing commercialization in agriculture and partly to greater use of modern agricultural inputs.

In manufacturing sector an opposite trend prevailed. The share of public sector investment in manufacturing increased by almost five folds while the share of private investment declined from 40 percent in 1969-70 to only 24.1 percent in 1979-80. Ownership of dwellings, construction and

Structure of Fixed Capital Formation  
(1964-65 to 1979-80)

(Percentage Shares)

	1964-65			1969-70			1974-75			1979-80		
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
Commodity Producing Sectors	46.7	64.6	58.0	36.3	54.1	45.4	19.7	44.4	27.6	28.1	44.3	33.3
Agriculture	41.1	8.3	20.4	30.7	13.6	22.0	9.5	16.2	11.6	2.8	19.8	8.2
Manufacturing	5.3	29.5	20.6	5.4	40.0	23.0	9.7	27.6	15.4	25.0	24.1	24.7
Large-Scale	-	26.4	16.7	5.3	34.6	20.3	9.6	19.0	12.6	24.9	17.5	22.5
Mining and Quarrying	0.3	0.3	0.3	0.2	0.5	0.4	0.5	0.6	0.6	0.4	0.4	0.4
Services Sectors	53.3	35.4	42.0	63.7	45.9	54.6	80.3	55.6	72.4	71.9	55.7	66.7
Construction	-	0.9	0.6	-	1.7	0.9	-	1.2	0.4	-	0.8	0.3
Ownership of Dwellings	-	11.0	6.9	-	14.4	7.3	-	21.8	7.0	-	24.1	7.7
Public Administration	26.5	23.5	24.7	31.9	29.8	30.8	46.0	32.6	41.7	46.0	30.8	41.1
Other Services	26.8	23.5	24.7	31.9	29.8	30.8	46.0	32.6	41.7	46.0	30.8	41.1

Source: Calculated from Appendix Table III.

other services benefitted from 'flight' of private capital from manufacturing sector. Even within the manufacturing sector there was a movement away from investment in traditional industries like textiles towards investment in non-traditional industries. Investment in small-scale manufacturing increased rapidly, particularly after elimination of exchange controls and devaluation, which acted as an incentive for it. This increase was, however, not enough to offset declining trend of investment in 'traditional' industries that constituted the bulk of total manufacturing activity. As a result, private investment share in the total declined further to 24.1 percent by the end of the Seventies from 27.6 percent in 1974-75.

In the immediate post-independence years capital goods imports were financed largely by foreign exchange reserves received at time of independence and by export earnings made during the Korean War boom. Domestic savings constituted a very small proportion of total resource mobilization effort (See Table 14). During subsequent years also development effort, which involved large investments in manufacturing and infrastructure was financed by foreign resources which at times constituted more than half of total national savings.

The decline in share of foreign savings in the second half of the Sixties was due to curtailment of foreign aid because of war with India. During the same period, investment

Savings Structure and (Rates)<sup>1</sup>  
(1959-60 to 1979-80)

(Percent)

	Domestic Savings			Foreign Savings	Total Savings
	Public	Private	Total		
1959-60	-(-1.4)	55.3(6.4)	43.0(5.0)	57.0(6.7)	100.0(11.6)
1964-65	1.0(0.2)	60.2(12.9)	61.2(13.1)	38.8(8.3)	100.0(21.5)
1969-70	6.0(1.0)	77.6(12.2)	83.6(13.2)	16.4(2.6)	100.0(15.8)
1974-75	-(-0.6)	40.1(6.4)	36.5(5.9)	63.5(10.2)	100.0(16.1)
1979-80	12.6(2.0)	60.6(9.7)	73.2(11.7)	26.8(4.3)	100.0(16.0)

Source: Calculated from Appendix Table IV

1: Savings rates are percentage of GDP at current prices.

also declined significantly, which pointed to failure of domestic savings rate to rise and revealed the dependence of development effort on continuous inflow of foreign resources. As a result of decline in inflow of foreign resources savings rate fell from its highest level of a little above 20 percent during mid-Sixties to around 15 percent during the Seventies. The domestic savings rate was at its minimum during the mid-Seventies due to stagnation in national income. What was worse the decline in savings rate occurred despite massive effort by government to mobilize domestic resources through additional taxation. As a result, during most of the Seventies more than 60 percent of investment was financed from inflow of foreign resources, in large part from Arab Oil exporting countries. The situation improved somewhat towards the



end of the decade as growth in national income, inflow of remittances by overseas Pakistani workers and large increase in public savings raised aggregate savings by substantial amount. The savings rate, however, still hovered around 16 percent. The debt servicing had become a heavy burden (amounting to much more than half a billion US dollars) which significantly reduced net inflow of foreign resources even though gross inflow levels had remained more or less the same.

Labour Force Participation.

Participation rates were highest during the Sixties when growth rates of different production sectors and of GDP were higher than those registered during other periods.

Table 15

Labour Force Participation Rates  
(1951 to 1974-75)

	(Percent of Total)		
	Rural	Urban	Total
1951			30.6
1961	33.2	29.9	32.4
1970-71	31.5	27.0	30.4
1971-72	31.0	26.5	29.3
1974-75	30.8	26.5	29.5

Source: [ 32 ] and [ 43 ]

Participation rates were particularly low during earlier years of the Seventies due to depressed level of economic activity. The decline in rural labour force participation rates can be explained as resulting, partly, from adoption of modern technology and changes in agrarian structure. In fact, decline in number of tenants and corresponding increase in owners and owner cum-tenants had the effect of withdrawal of workers, especially females, from the working force.

In urban areas some decline in participation rates can be explained by adoption of capital-intensive industrialisation and education but the major cause is to be found in insufficient increase in job opportunities. The level of economic activity was generally depressed during the earlier years of the Seventies. While commodity producing sectors registered a rate of growth of a little less than 3 percent during this period, services sectors logged a growth rate of 6.2 percent and contributed most to achievement of 4.5 percent annual increase in GDP. However, despite 2.8 percent increase in labour force employed in services sector increase in total employed labour force was only 2.5 percent, which was much below the increase in population growth

Table 16

Sectoral Composition and Growth Rates  
of Labour Force  
(1951 to 1980)

	Percentages				Growth Rates (Percent per annum)		
	1951	1961	1970	1980	1951 to 1961	1961 to 1970	1970 to 1980
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commodity Producing Sectors	75.1	73.2	70.6	69.6	2.6	3.7	2.3
Agriculture	65.3	59.6	55.2	56.1	1.9	3.3	2.6
Mining and Quarrying	0.1	0.1	0.1	0.1	7.2	0.5	4.3
Manufacturing	9.7	13.5	15.3	13.4	6.2	5.6	1.2
Services Sectors	24.9	26.8	29.4	30.4	3.6	5.2	2.8
Construction, Electricity, Gas and Water	1.8	2.3	4.3	4.7	5.5	11.8	3.3
Transport, Storage, Commu- nications, Commerce	8.6	9.8	14.6	15.5	4.2	8.9	3.1
Services	11.3	12.5	8.2	10.2	3.0	9.9	4.8
Unclassified	3.2	2.2	2.3		9.9	4.4	
Total (Number in thousands)	9506	12156	18107	23133	2.8	4.2	2.5

Source: Calculated from

col. 2, 3. [ 8 ]

col. 4. [ 34 ]

col. 5. [ 35 ]

In contrast to drastic changes over the years in sectoral value added shares in GDP composition of sectoral employment did not change significantly. The share of commodity producing sectors declined from 75.1 percent in 1951 to 73.2 percent in 1961 and to 69.6 percent in 1980. While agriculture

contributed most to this decline because of slower increase in employment opportunities, manufacturing sector tended to offset this decline and even contributed to increase in share of commodity producing sectors in total employment.

Employment in manufacturing sector grew rapidly till 1970 as a result of which share of this sector in total employment increased steadily from a little less than 10 percent in 1951 to 15.3 percent in 1970. However, during the Seventies, employment in manufacturing sector increased slowly at the rate of only 1.2 percent per annum despite respectable growth rate of 4.6 percent in value-added in this sector. As a result, its share in total employment declined to the level attained during the Seventies. This was due to adoption of capital intensive techniques which was facilitated by capital-cheapening import and taxation policies.

While increase in share of services sectors in total employment was in line with rapid rise in their share of GDP the change in share of commodity producing sectors was disturbing since their share in employment fell from 75.1 percent in 1951 to 69.6 percent in 1980 while their share in GDP by around 14 points, which reflected a decline in productivity of these sectors.

### Chapter 3

#### Problem of Income Distribution

The quality of research on the problem of income distribution in Pakistan has been marred by data problems. The household survey data on which this research is usually based under-estimates incomes of well-off groups which seriously distorts results. Given below is a brief survey of the problem of income distribution and poverty in Pakistan.

Table 17

Income Distribution in Rural Households  
(Shares of Income)  
(1963-64 to 1970-71)

	(Percent)					Gini Coeff- icients
	Lowest 20 Percent	Lowest 40 Percent	Middle 40-60 Percent	Highest 20 Percent	Highest 5 Percent	
1963-64	6.8	18.0	16.5	43.0	17.0	0.36
1966-67	8.5	20.5	16.0	41.4	16.5	0.33
1968-69	8.8	21.6	16.8	39.0	14.5	0.30
1969-70	8.6	21.5	16.9	39.0	14.8	0.30
1970-71	9.2	21.9	16.9	38.6	15.0	0.29

Source: [49].

Table 17 shows that during early Sixties distribution of rural income was highly skewed. Almost 20 percent of income was concentrated in hands of 5 percent of households while the poorest 20 percent earned less than 7 percent of total income. In the later half of the Sixties the relatively poorer sections of rural population increased their share of income at the expense of better-off households. However, the difference was slight and occurred largely as a result of trickling down of benefits from the 'Green Revolution'.

There is reason to believe that since modern agricultural inputs required lumpy investments the early beneficiaries of the 'Revolution' were large landlords. And even these were concentrated in specific regions of Punjab where double-cropping and intensive use of fertilizers was made possible by exploitation of fresh-water underground reserves due to tubewells. During the later half of the Sixties agricultural sector logged impressive growth rates, which was accompanied by slight redistribution of income in favour of poorest 20 percent households. It is however, necessary to point out that there is not much conclusive empirical evidence (despite the decline in Gini Coefficients over time) on this issue due to faulty nature of data. At best it can be concluded that during the Sixties the pattern of rural income distribution did not undergo any radical change.

The situation was, however, somewhat different during the Seventies. On the one hand, rural wages rose rapidly, on the other, smaller holdings proved to be relatively more productive and efficient as use of high-yielding varieties of seeds and other modern inputs became widespread (See Table 18).

Table 18

Growth of Rural Real Wages  
(1951-52 to 1974-75)

(Percent per annum)

	Growth Rate
1951-52 to 1959-60	1.8
1959-60 to 1964-65	2.1
1964-65 to 1969-70	8.0
1969-70 to 1974-75	6.4

Source: [5].

The growth of rural wages at a rate of 8 percent during the late Sixties and of 6.4 percent during early Seventies was much higher than the rate of increase in average rural income. As a result, wage earners were able to raise their share in total rural income which combined with satisfactory performance of agricultural sector during the late Sixties led to reduction in total percentage of rural population below poverty line. However, as Table 19 shows this was

Table 19

Rural Population in Poverty  
(1963-64 to 1971-72)

	Percentage of Population	Size (Millions)
1963-64	66	29.5
1966-67	60	24.8
1968-69	62	26.7
1969-70	60	26.5
1970-71	55	25.3
1971-72	58	27.5

Source: [2].

not enough to bring about substantial decrease in absolute number of people below this line. Even worse absolute poverty increased at a time when agricultural sector was growing rapidly. The situation did not improve much as late as the mid-Seventies when almost one-third of rural population suffered from calorie deficient diet (See Table 20).

While the figures in the above table suggest that rural population was better off as compared with that of urban areas in so far as nutritional adequacy of diet is concerned the situation was far from satisfactory. During the



Table 20

Calorie and Protein Deficiency

(Percent of Population)

	Caloric Deficient	Caloric Adequate	Total	Caloric Deficient	Caloric Adequate	Total
Protein Deficient	9	2	11	15	2	17
Protein Adequate	24	65	89	31	52	83
Total	33	67	100	46	54	100

Source: [40]

mid-Seventies more than 60 percent of children in rural areas suffered from malnutrition. Furthermore, the problem of vitamin and protein deficiency was compounded by widespread prevalence of water-borne diseases.

The problem of inequitable distribution of rural incomes and poverty stemmed, primarily, from skewed distribution of land ownership. Table 21 shows the pattern of land distribution during the period from 1950 to 1972.

Table 21

Distribution of Land-ownership  
(1950 - 1972)

	(Percent)									
	Less than acres		5-25 acres		25-100 acres		100-250 acres		250 acres and above	
	Owners	Acre	Owners	Acre	Owners	Acre	Owners	Acre	Owners	Acre
1950	64.4	15.3	28.7	31.7	5.7	21.8	1.1	15.8	0.1	15.4
1972	46.7	7.7	41.9	33.5	9.7	30.3	1.3	14.4	0.4	14.1

Source: For 1950 Calculated from 30

For 1972 Calculated from 31

The distribution of land-ownership during the Fifties was highly skewed. Less than 7 percent of landowners controlled more than half of total land with holdings of over 25 acres. On the other extreme, only 15.3 percent of the land belonged to 64.4 percent of owners who had holdings of less than 5 acres.

During subsequent two decades there was significant change in ownership pattern for smaller holdings. As percentage of owners with holdings less than 5 acres declined there was a more or less corresponding increase in percentage of owners with holdings of upto 25 acres. However, those remaining in the less than 5 acre category had lesser acreage of land at their disposal, which suggests that upward movement in ownership occurred at the expense of poorer farmers and led to concentration of holdings

in fewer hands. The decrease in percentage of owners with holdings of over 100 acres was due to some land redistribution resulting from implementation of land reforms. Some idea about income distribution pattern in urban areas can be had by looking at nutritional status of the population, the extent of poverty and concentration of industrial wealth.

Table 20 showed that the problem of calorie and protein deficiency was, during the early Seventies, more acute in urban areas. Almost half of urban population was calorie deficient while 17 percent suffered from protein deficiency. Since average caloric consumption is closely related to income the above figures give a rough idea of extent of poverty in urban areas. What is worse during the early Seventies per capita consumption of calories actually declined. As compared with 1969-70 per capita consumption of calories declined from 2082 units to 2046 units in 1970-71 and 1966 units in 1971-72. These figures compare badly with the recommended daily energy intake of 2354 calories. True, the availability of food per capita increased substantially by 1977-78 but this did not suggest in any way an improvement in average nutrient intake among low-income groups. The most disturbing feature of the pattern of nutrient deficiency was its high incidence among children (See Table 22)

Table 22

Children Under Five Years of Age Requiring Help in 1976-77  
(1976-77)

	(Percentages)		
	Pakistan	Rural	Urban
1. Priority	7.18	7.16	7.22
2. Action	9.52	9.82	8.65
3. Attention	43.36	43.73	41.29
4. No intervention	39.95	39.28	41.84

Source: [ 9 ] .

The table shows that towards the end of the Seventies more than 7 percent of children suffered from acute nutrient deficiency while only 40 percent received adequate diet. Malnutrition among children was due both to qualitative and quantitative inadequacy of diet and to widespread prevalence of diseases. Almost 80 percent of children under five suffered from diarrhoea and respiratory infections. As a result, around 30 percent of infants died because of dehydration stemming from diarrhoea. Thus, infant (between 1 to 5 years of age) mortality was extremely high as 11 percent of infants died within the first year of their lives and another 10 percent between 2 to 5 years of age.<sup>1</sup>

I' L\*\*J .

The widespread prevalence of malnutrition was the result of existence of large pockets of poverty both in urban as well as in rural areas. The most disturbing feature, however, is that the situation worsened over time leading to an absolute increase in number of people living below poverty line. During the mid-Sixties as many as 70 percent of urban population could be categorised as poor. Though towards the Seventies the percentage number of people living in poverty had declined to around 60 percent the absolute number still hovered around 10 million.<sup>2</sup>

Among the various social groups where incidence of poverty was most felt industrial workers suffered badly. Throughout the late Fifties and early Sixties real wages were either falling or stagnant. This was true in particular for textile workers (See Table 23)

Table 23

Indices of Real Industrial Wages  
(1954 =100)

	All Industries	Textiles
1954	100.0	100.0
1955	94.3	99.7
1957	94.1	92.6
1958	96.9	92.8
1959-60	96.9	92.8
1962-63	88.4	89.2
1963-64	90.1	-
1966-67	88.8	76.9

Source: / 18 /.  
For 1966-67 / 13 /

2: / 29 /

The real wages of workers in textile industry fell consistently since 1954 to the extent that by 1966-67 average wages were no more than two thirds of the level that prevailed during the mid-Fifties. This was due partly to large influx of unskilled labour from rural areas which along with lack of unionization and trade union activity kept wages to the minimum subsistence level. Moreover, the policy of depressing prices of agricultural commodities not only made cheap raw materials available for industry but also kept price of wage goods to a minimum. On the other extreme, this policy led to concentration of both industrial and financial wealth in a few hands (See Table 24).

Table 24

Large-Scale Manufacturing Assets  
( 1968 )

		(Percentage Controlled)	
		All Assets	Asset Privately Controlled
Largest 4 families and organizations		13.3	16.4
-do- 10	-do-	24.2	29.7
-do- 20	-do-	34.3	42.1
-do- 30	-do-	39.7	48.7

Source: [ 53 ]

The above table shows that towards the Seventies almost 40 percent of all assets in large-scale manufacturing sector were controlled by 30 largest organizations. If public sector

enterprises are excluded this figure jumps to almost 50 percent. The concentration was most intense for intermediate and capital goods industries. In the case of manufacture of lubricating oils, chemicals, bulbs and tubes, tractor and refrigerator assembly the largest four firms controlled 100 percent of total assets. A high degree of concentration also prevailed in control of banking and insurance assets. The largest four banks controlled more than two thirds of deposits and over 65 percent of earnings assets. Similarly, four largest insurance companies controlled over half of total insurance assets.<sup>3</sup> What was worse a few families controlled the major share of both industrial as well as financial assets. Though the situation improved a little after the reforms during the early Seventies, within the private sector the control of assets remained more or less the same.

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3: [ 53 ] .

Chapter 4

Foreign Aid and Trade

Since independence the performance of Pakistan's trade sector has been far below satisfactory levels. During the period from 1949-50 to 1979-80 favourable balance in trade was registered only twice and while the country's dependence on trade almost doubled during the two decades since 1959-60 its share of world trade declined.

Trade Gap

In the early post-independence years the negative trade balance was due to deliberate setting of investment targets much in excess of domestic savings. This was especially true during the first two plan periods from 1955 to 1965-65 when the trade gap increased at rates of 29.0 percent per annum and 19.4 percent per annum respectively. (See Table 25).



Table 25

Imports, Exports, Total Trade, Trade  
Balance as Percentages of GNP, Margi-  
nal Rates and Growth Rates  
(1949-50 to 1979-80)

	Imports	Exports	Total Trade	Trade Gap	Marginal Rate	
					Imports	Exports
1949-50	-	-	-	-	-	-
1954-55	-	-	-	-	-	-
1959-60	10.7	4.5	15.3	6.2	-	-
1964-65	14.0	4.4	18.4	9.7	20.0	4.0
1969-70	7.6	3.7	11.3	3.9	-2.3	2.7
1974-75	19.8	9.7	29.5	10.1	16.7	13.9
1979-80	20.3	10.1	30.4	10.2	20.8	10.5

Growth Rates  
(Percent per annum)

1949-50 to				
1954-55	-3.0	-1.7	-2.5	-5.0
1954-55 to				
1959-60	18.2	9.2	15.0	29.0
1959-60 to				
1964-65	15.3	8.4	13.4	19.4
1964-65 to				
1969-70	-2.2	7.1	0.3	-7.9
1969-70 to				
1974-75	44.8	44.9	44.9	44.7
1974-75 to				
1979-80	17.5	17.9	17.6	17.2

Source: Appendix Table VII

1: Growth rates are annual compound growth rates.

Table 25 shows that though exports were also increasing during this period the rate of growth of imports was far higher. In fact, the marginal rate for imports of 20 percent during the years from 1960 to 1965 exceeded average import rate and marginal export rate. As a result, the trade gap, as a percentage of GNP, increased from 6.2 percent in 1959-60 to 9.7 percent in 1964-65.

During the five years following the September 1965 War with India imports declined significantly due to decreased availability of foreign assistance. However, the respectable growth rate of a little over 7 percent registered by exports was still not sufficient to close the trade gap, which though considerably reduced, still constituted almost 4 percent of GNP in 1969-70. Meanwhile as a result of relatively much faster growth rates for both imports and exports the country's dependence on foreign trade increased and during the mid-Sixties constituted a little over 18 percent of GNP. A dramatic increase in the country's dependence on trade occurred during the Seventies and by the end of the decade it accounted for around 30 percent of GNP. Much of this increase was due to rise in oil prices and faster price rise of traded as compared with non-traded goods. This led to stabilization of trade gap to around 10 percent of GNP for most of the Seventies. As a result, by the end of the decade country had accumulated a foreign debt of U.S. dollars 8.9 billion.<sup>1</sup>

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1: [17].

Financing of Trade Gap.

The inflow of foreign assistance that started in 1950 played an important role in achievement of rapid growth of manufacturing sector during the decade in so far as import of capital goods required for industrialization was facilitated by inflow of foreign assistance.

Table 26

External Assistance  
(1947 to 1979-80)

Period	(US Dollars Million)		
	Total Assistance	Grants as Percentage of Total	Loans Repayable in foreign Exchange as Percentage of Total
1947-1954	337	64	30
1955-1960	1073	54	21
1960-1965	2757	40	57
1965-1970	2746	26	74
1970-1975	3944	9	91
1975-1976	958	11	89
1976-1977	1115	17	83
1977-1978	979	15	85
1978-1979	1479	15	85
1979-1980	1714	18	82

Source: [ 37 ] .

Till the mid-Sixties the most encouraging aspect of foreign assistance was the large share of grants in total aid. During the period from 1950 to 1965 almost half of total assistance was in form of grants. Furthermore, a significant portion of aid received was payable in Rupees. However, less than 10 percent of aid was in form of unrestricted balance-of-payments support. The rest was tied to specific projects and to purchases from donor countries which, in effect reduced the real value of aid inflow.

During the early Seventies there was a significant change in source of aid and in its composition and character. The main features of this change were visible even after the 1965 War with India. But though volume of aid inflow during the later half of the Sixties was almost as much as in the earlier half, net inflow declined because of increased service payments. Furthermore, the share of grants also dropped sharply during this time. The decline during the Seventies in inflow of aid from traditional sources (consortium countries) was offset by increase in aid from Arab oil-exporting countries, though consortium countries still constituted the largest source of foreign assistance. As such, there was increase in aid commitments as compared to earlier years. However, the share of grants had diminished in size and repayment of loans caused serious drain on the country's resources.

Table 27

Net Inflow of Foreign Assistance and  
Debt Ratio  
(1972-73 to 1979-80)

(US Dollars Million)				
(1)	Gross Disbursements (2)	Debt Service Payments (Net of Relief) (3)	Net Trans- fers (per- centages ) (4)	Debt Service Ratio to Foreign Exch- ange earnings (5)
1972-73	355	193	152 (46)	18.1
1973-74	497	197	300 (60)	14.2
1974-75	1019	259	760 (75)	17.1
1975-76	1064	288	776 (73)	21.7
1976-77	961	355	606 (63)	20.7
1977-78	856	374	482 (56)	12.9
1978-79	948	494	454 (48)	15.8
1979-80	1470	656	814 (55)	18.8

Source: For Columns 2-4. [ 38 ]

For Column 5. [ 36 ] .

Table 27 shows that during the second half of the Seventies gross disbursements stabilized around a billion U.S. dollars but net transfers declined because of increasing burden of debt service payments. Towards the end of the decade net transfers constituted almost half of gross disbursements. Furthermore, the shift towards provision of project aid from programme assistance was intensified which led to much reduced pace of aid utilization.

Throughout the Seventies increasing debt service payments were a substantial burden on the country which had to exert extra efforts to mobilize required resources. This is illustrated by Table 27. During the Seventies debt service ratio to total foreign exchange earnings averaged a little above 17 percent. When expressed in terms of the country's export earnings this ratio jumps to much over 35 percent for the later years of the Seventies.

It was mentioned earlier that for most of the years from 1954-55 to 1979-80 trade gap had increased at a fast rate. Part of the deterioration in balance of trade stemmed from unfavourable terms of trade.

Table 28 shows that except for the year 1973-74 prices of country's imports were rising much faster as compared with prices of its exports. The terms of trade were unfavourable for almost all years during the Seventies. In fact, for most of the years from 1949-50 to 1979-80 terms of trade were unfavourable, which contributed to widening of the import-export gap. Given below is a closer look at the behaviour of imports and exports.

Table 28

Terms of Trade  
(1970-71 to 1979-80)  
(1969-70 =100)

	Export Trade Index	Import Trade Index	Terms of Trade
1970-71	106.9	119.7	89.3
1971-72	129.1	155.9	82.8
1972-73	272.6	285.2	95.6
1973-74	439.0	412.6	106.4
1974-75	409.7	614.5	66.7
1975-76	410.8	582.6	70.5
1976-77	481.7	627.3	76.8
1977-78	507.7	683.8	74.2
1978-79	632.2	710.6	89.0
1979-80	683.2	869.7	78.6

Source: For the years 1970 to 1975: [36]

For the rest of the years: [38] .

## Imports

A sustained and significant increase in imports has been the characteristic feature of the country's external trade. This increase was fed by investment needs and rising consumption requirements of the growing urban sector. Moreover, in times of poor domestic harvests imports of foodgrains constituted a significant portion of total imports. The inelastic demand of imports revealed the country's economic dependence on them, which given the slow rise in export earnings, led to widening of the trade gap.

Table 29 shows that till the Seventies capital goods constituted almost half of total imports which along with declining share of consumer goods imports points to the phenomenon of import-substituting industrialization. The decline in share of capital imports and corresponding increase in share of industrial raw materials during the Seventies reflects to a certain extent government's efforts to revive the manufacturing sector. A series of bad harvests during the mid-Seventies led to rise in imports of foodgrains which because of foreign exchange constraints had to be made at the expense of capital goods. Towards the end of the decade capital goods imports revived largely at the expense of consumer goods imports, which were considerably reduced because of increased domestic availability.



Table 29

Composition of Imports and Growth Rates<sup>1</sup>  
(1964-65 to 1979-80)

(Percentages)

	Capital Goods	Industrial Raw Materials		Total	Consumer Goods
		Capital Goods	Consumer Goods		
1964-65	48.0	-	-	26.0	26.0
1967-68	47.3	-	-	30.4	22.2
1969-70	50.4	10.5	29.1	39.6	10.0
1974-75	29.4	8.6	39.5	48.1	22.5
1979-80	35.5	6.2	42.3	48.5	16.0

Growth Rates  
(Percent per annum)

1964-65 to 1969-70	-1.3	-	-	6.4	-19.2
1969-70 to 1974-75	30.0	39.3	53.9	50.5	70.3
1974-75 to 1979-80	22.1	10.1	19.2	17.7	9.7

Source: Calculated from Appendix Table IX

1: Growth rates are annual compound growth rates.

However, the decline in share of consumer goods imports in the total had started much earlier. The policy of licensing imports initiated in the early Fifties, to counter the growing trade gap, had by middle of the decade led to significant decline in share of imports of both consumer goods and raw material for consumer goods. Though largely successful in curtailing non-essential imports licensing policy led to large profits for import permit holders and because of inherent bias in favour of creating additional capacity, to non-optimal utilization of industrial capacity.

In the early Seventies the intricate system of import controls and export incentives was abolished but import licensing still continued though in a much diluted way, while the policy of restrictions against imports, and duties on many exports implied a bias in favour of import-substitution

It may be noted that high rates of growth registered by imports and exports during the early half of the Seventies did not reflect 'real' growth but rather increase in value that occurred because of rise in international price of traded goods. That imports and exports increased their share of GNP during this time is also explained partly by this phenomenon. More specifically, the higher marginal rate of exports as compared with average rates is explained by rise in energy prices and increase in imports of capital goods required for development.

Table 30

Structure of Imports  
(1964-65 to 1979-80)

	(Percentages of total)				
	1964-65	1967-68	1969-70	1974-75	1979-80
Food Products	19.2	17.5	4.1	21.5	10.2
Foodgrains	15.6	14.7	1.7	11.8	2.2
Tea and Sugar	-	-	0.03	3.2	2.1
Edible Oil	3.6	2.8	2.3	6.5	4.9
Petroleum and Products	0.3	5.4	6.3	15.9	22.8
Fertilizers	0.2	3.7	8.6	4.9	5.8
Transport Equipment	6.1	4.7	10.4	5.9	10.4
Chemicals and Medicines	5.2	5.0	4.7	3.1	3.5
Electrical Goods	2.8	2.3	6.7	5.7	3.8
Non-Electrical Machinery	9.7	13.6	21.6	9.9	11.9
Iron and Steel Goods	8.7	4.1	11.0	9.8	6.4
Share of Ten Major Imports	52.2	56.3	73.4	76.7	80.6

Source: Calculated from Appendix Table X.

Table 30 shows that the country's dependence on a few major imports increased over time. Ten major imports constituted only a little over half of total imports in 1964-65 but by 1979-80 this share had jumped to over 80 percent. A closer look at the structure of imports shows that most of them consisted of capital goods and foodgrains. In fact, for the majority of years the latter constituted the single most important component of total imports. The volume of foodgrains imports, however, fluctuated significantly over time reflecting instability of domestic production and its precarious dependence on weather. The share of tea, sugar and edible oil imports also increased steadily during the Seventies. This was due, partly to stagnation in domestic production (especially in the early Seventies) and partly to a significant rise in domestic demand because of rising incomes stemming from inflow of remittances.

The share of imports of petroleum and related products registered a sustained and substantial increase over time. This was due largely, to an increase in oil prices during the Seventies though inability to raise domestic production fast enough also contributed to increase in volume of these imports.

The case of fertilizers also reflects the country's inability to meet its increasing requirements from domestic production. As a result, during the period from 1964-65 to 1979-80 the share of fertilizer imports in total increased

substantially despite almost ten fold increase in domestic production because domestic demand increased at a much faster pace. As a result, by 1979-80 a little over 77 percent of total consumption was being met by imports. Towards the end of the Seventies domestic productive capacity was significantly increased with the commissioning of new fertilizer factories but domestic production needed to be increased further to reduce dependence on fertilizer imports.

It was mentioned earlier that a loose inverse relationship existed between imports of foodgrains and of capital goods imports. This was especially true after the 1965 War with India when availability of cheap foreign capital became an important constraint to growth. Thus, when foodgrain imports increased, imports of capital goods declined with the result that domestic investment, especially in manufacturing sector suffered. Furthermore, stagnation in manufacturing sector during the early Seventies had an adverse effect on relative share of capital goods imports which fell significantly to only 29.4 percent in 1974-75. Though manufacturing sector improved during the second half of the decade share of capital goods imports did not achieve the levels of earlier decades. This can be explained by the fact that recovery in manufacturing sector reflected more a making up of lost ground rather than real improvement. Hence, the significant rise in share of imports of industrial raw materials, which towards the end of the Seventies had the largest share in total imports.

## Exports

Till the mid-Fifties primary goods exports had a major share in total exports of the country. As a result of rapid industrialization the subsequent years witnessed a significant change in structure of exports in favour of manufactured goods. In fact, for many industries like cotton textiles, leather and sports-goods export promotion had become the primary source of growth during the Sixties. During this decade the dominant trend in export sector was substitution of primary goods by processed and manufactured goods.

In the subsequent decade no specific trend prevailed. In the earlier half of the Seventies export of manufactured goods was effected by break-up of country and by stagnation in industrial production. With the revival of manufacturing activity exports of manufactured goods not only regained lost ground but managed to increase their share to almost half of total exports in 1977-78.

The exports of primary goods were able to maintain their share of around 40 percent in total. A closer look at major exports reveals an interesting picture. Some diversification in exports took place during the Seventies but share of ten major exports remained more or less stable around 70 percent of the total (See Table 31).

Table 31

Composition of Exports  
(1969-70 to 1979-80)

	(Percentages of Total)		
	Primary Goods	Semi-Manufactured Goods	Manufactured Goods
1969-70	33.1	23.3	43.6
1970-71	32.6	23.6	43.8
1971-72	44.8	27.1	28.1
1972-73	39.4	30.2	30.4
1973-74	39.4	22.6	38.0
1974-75	48.0	12.7	39.3
1975-76	43.7	18.4	37.9
1976-77	40.9	16.7	42.4
1977-78	35.7	14.7	49.6
1978-79	32.3	20.6	47.1
1979-80	42.0	15.0	43.0

Source: Calculated from Appendix Table XII.

Table 32

Structure of Exports  
(1969-70 to 1979-80)

	(Percentages of Total)				
	1969-70	1971-72	1974-75	1977-78	1979-80
Rice	5.8	8.1	22.4	18.6	17.9
Cotton Products	46.0	58.4	38.4	31.1	36.3
Raw Cotton	13.0	28.3	15.0	8.5	14.2
Cotton Yarn	15.8	17.6	8.3	8.2	8.7
Cotton Cloth	16.0	11.5	12.8	13.4	10.3
Garments	1.2	1.1	2.4	1.1	3.1
Fish and Preparations	5.2	3.3	1.5	2.6	2.3
Carpets and Rugs	3.4	3.2	4.4	9.0	9.4
Leather	6.8	5.1	3.6	4.9	5.4
Share of Major Exports in Total	67.2	78.1	70.3	66.2	71.3

Source: Calculated from Appendix Table XII.



In fact, more than half of total export earning throughout the decade was provided by exports of rice and cotton products. This is a disturbing feature of Pakistan's exports as it reveals considerable dependence on export of few primary commodities for foreign exchange earnings.

The share of raw cotton, cotton yarn and other traditional exports like fish and preparations declined after 1971-72. This happened because the export bonus scheme which had an implicit multiple exchange rate that favoured traditional exports, was eliminated in 1971 and the Rupee devalued. Because of devaluation non-traditional exports like carpets and rugs, surgical equipment sports goods etc. increased significantly. Among the major exports carpets and rugs registered the fastest growth and managed to increase their share from only 3.2 percent of total exports to over 9 percent during the last three years of the decade.

## Chapter 5

## Features of Demographic Change

A rapid growth in population especially since the Sixties has been a prominent feature of Pakistan's post-independence development. What is more, during the three decades from 1950 to 1980, the rate of population growth has been rising continuously. (See Table 33)

Table 33

Total Population and Growth Rates  
(1950 to 1980)

	Census Figures		Estimates	
	Population in Thousands	Intercensal Growth	Population in Thousands	Interperiod Growth
1950			36450	
1951	33740	1.8		
1955			40609	2.2
1960			45851	2.4
1961	42880	2.4		
1965			52415	2.7
1970			60449	2.8
1972	64890	3.6		
1975			69390	2.8
1980			80442	3.0

Source: [15].

The inter-censal annual rate of growth of 1.8 percent during the first decade due to natural growth and to a large net inflow of population from India was followed by sharp increase in population growth rate to 2.4 percent during the subsequent decade. However, actual population growth rate was much higher given under-enumeration of 6 percent to 8 percent in the 1961 census.<sup>1</sup> The higher rate of population growth during this period stemmed from sharp fall in death rate and increase in births due to relatively better availability of health facilities.

Table 34

Vital Rates  
(1962-65 to 1979-80)

	(Annual Averages)	
	Births Per 1000	Death Per 1000
1962-65 <sup>1</sup>	42.0	15.0
1975 <sup>2</sup>	40.5	-
1979-80 <sup>3</sup>	41.0	12.0

Source: 1. [9]  
 2. [46]  
 3. [41].

1. [1].

During the inter-censal period from 1961 to 1972 the rate of population growth of 3.6 percent was higher as compared to that in the previous decade. Even when adjusted for under-enumeration in the 1961 census growth rate could not have been less than 3 percent. A similar high rate of growth also prevailed during the Seventies thanks largely to high birth rate and falling death rate. An important factor that caused prevalence of high population growth rate during the Sixties and Seventies was enlargement of marriageable age group during preceding decades due to higher percentage of population in under 15 years age group. The 1951 census showed that this group constituted more than 43 percent of total population. This proportion declined slightly by 1 percent by the time of the 1962 census but was still high enough to contribute substantially to population growth during the subsequent decade. But the fact that rate of population growth failed to register even a small decline during this time was cause for some concern as it reflected the failure of population planning programme to make any significant impact on population growth.

Table 35

Urban and Rural Population  
(1961 to 1980)

	(Percentages of Total)	
	Urban	Rural
1961	22.5	77.5
1965	23.5	76.5
1970	24.8	75.2
1972	25.2	74.8
1975	26.0	74.0
1980	27.3	72.7

Source: [ 55 ] .

Table 35 shows that during the period from 1961 to 1980 increase in population was accompanied by relative rise in urban population which in 1961 accounted for only 22.5 percent of the total. However, by 1980 its share in total population had increased to 27.3 percent which was due mainly to rapid growth of manufacturing activity, fast expansion of services sector and relatively faster decline in mortality in urban areas.

#### Fertility and Mortality Trends

During the period since the Fifties the dramatic fall in mortality was accompanied by a more gentle decline in fertility levels. During the Fifties and Sixties total fertility rate was a little above 7.00 children per woman which declined to around 6.95 during the early Seventies and to 6.75 in the later half of the decade.<sup>2</sup> The family planning programme and subsequent increase in contraceptive use had some impact (but not a substantial one) on decline in fertility. The more important factor was the spread of female education which contributed to fertility decline, directly and indirectly by delaying average age at marriage. But this factor was significant only in case of women with an intermediate or higher education.

The substantial divergence between fertility and mortality rates was the major cause of rapid increase in population growth witnessed during the period from 1950 to 1980. A closer look at mortality trends shows that throughout the post-independence period it had been on the decline, which accelerated especially during the Fifties.<sup>3</sup> During this time mortality rate fell by more than 50 percent due to control of nearly all major diseases. The public health programme had a positive impact particularly on decline in infant and maternal mortality and large-scale use of modern medicine significantly reduced fatal incidence of diseases like malaria and typhoid.

Table 36 shows that during the period from 1962 to 1971, with exception of infant group, for which a significant rise was witnessed, mortality rates remained more or less the same for all other groups. But this increase could have been due to difference in age reporting since there is evidence which suggests that during this period infant mortality declined substantially.<sup>4</sup>

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3: [48]

4: [1]

Table 36

Age-Specific Mortality Rates  
(1962-65 and 1968-71)

(Average Rates)		
Age	For 1962-65	For 1968-71
Infant Mortality	105	115
1-4	18	17
5-9	3	3
10-14	2	2
15-19	2	2
20-24	3	3
25-29	3	3
30-34	4	3
35-39	4	3
41-44	4	4
45-49	5	5
50-54	8	10
55-59	10	8
60 and Above	31	32

Source: [1].

Table 37

Life Expectancy at Birth  
(1950 to 1980)

YEAR	MALE	FEMALE	TOTAL
1950 <sup>1</sup>	33.04	34.64	
1960 <sup>2</sup>	44.33	42.45	
1970 <sup>3</sup>	52.90	51.80	
1980 <sup>4</sup>	-	-	56.40

Source: 1.  $\overline{21}$

2.  $\overline{17}$

3.  $\overline{10}$

4.  $\overline{51}$  .

During the period from 1950 to 1980 as a result of improving nutritional and health standards and control of fatal diseases there was a marked increase in life expectancy at birth (See Table 37). For males it increased from 33 years in 1950 to a little over 44 years in 1960. In the subsequent two decades the increase was from almost 53 years in 1970 to around 56 years in 1980. The corresponding increase in life expectancy for females was relatively slow but for both categories the gains followed an exponential pattern as marginal returns from above-mentioned factors, though positive, declined since the Sixties.



## Education Sector

Since independence the performance of education sector has not been satisfactory. The slight increase in literacy rate from 16.3 percent in 1961 to 21.6 percent in 1972 was not enough cause for rejoicing for it was accompanied by a decline in quality of education. In 1972 almost 11 percent of literates were not formally educated while more than three fourths had either primary or secondary education. This only leaves a dismal 12 percent who were matriculates or with higher degrees.

During the Seventies the situation did not improve much. The adult literacy rate was only 24 percent and for females it was a much lower 11 percent. Neither did the system of education undergo any radical changes while structure of enrollment remained almost the same.

Table 38 shows that during the period from 1960-61 to 1979-80 the share of Universities in total enrollment remained almost the same. Similarly, shares of colleges and vocational institutions also remained static around 3 percent and 0.5 percent respectively. On the other hand, higher schools and professional colleges increased their shares slightly at the expense of primary education because of faster relative rates of growth.

Table 38

Enrolment Structure and Growth Rates  
(1960-61 to 1979-80)

(Percentages of Total)

	Primary	Middle	Higher	Secondary	Colleges	Profess- ional Colleges	Univer- sities	Total
1960-61	74.3	16.2	5.7	0.5	2.6	0.5	0.2	100.0
1964-65	74.9	15.3	5.5	0.5	3.1	0.4	0.3	100.0
1969-70	72.4	16.7	6.3	0.5	3.2	0.6	0.3	100.0
1974-75	71.6	17.1	6.7	0.6	3.0	0.7	0.3	100.0
1979-80	71.9	16.9	6.7	0.4	2.9	0.9	0.3	100.0

Growth Rates

1960-61 to 1964-65	10.3	8.6	8.5	8.8	15.6	6.9	27.0	10.1
1964-65 to 1969-70	5.1	7.6	8.7	6.7	6.6	14.9	2.9	5.8
1969-70 to 1974-75	5.0	5.8	6.7	7.7	3.5	5.8	7.0	5.2
1974-75 to 1979-80	3.6	3.2	3.5	-3.6	3.0	9.9	0	3.5

Source: Calculated from Appendix Table V

But because of high rates of enrollment growth enrollment ratio (enrolled students as a percentage of total age group population) improved over time (See Table 39).

Table 39

Enrollment Rates  
(1965 and 1970)

(Percentage of Age-Group population)

	1965	1970
Primary	40.7	50.3
Middle	14.8	25.6
Higher	8.6	11.4
Secondary (Vocational)	0.4	0.5
Colleges	4.3	4.9
Professional Colleges and Universities	2.4	2.4
Total	21.4	27.1

Source: [1].

During the period from 1965 to 1970 enrollment rate for higher and specialized education did not witness any significant change and nearly all improvement in overall enrollment rate stemmed from increases at the lower level. But as figures in Table 40 show at this level there was no corresponding increase in provision of schools and teachers. During the second

half of the Seventies index for schools and teachers increased by 7 percent and 13 percent respectively while corresponding increase in enrollment index was 40 percent. This led to congestion in schools and decline in level of teaching. It may be noted that at level of secondary education the situation was not as bad. The increase in schools did not match the rise in enrollment but the situation on the teacher's front was satisfactory. On the other hand, a marked improvement in higher education was witnessed during the later half of the Seventies as the index for schools and teachers rose by around 45 points as compared to an increase of only 21 points in enrollment.

Table 40

Indices for the Number of Enrollments,  
Schools and Teachers  
(1974-75 and 1978-79)  
1970-71 =100)

	Enrollment		Schools		Teachers	
	1974-75	1978-79	1974-75	1978-79	1974-75	1978-79
Primary Education	126	166	118	125	130	143
Secondary Education	134	155	130	141	133	158
Higher Education	108	129	115	150	118	155

Source: [ 55 ] .

The state of primary education was particularly bad in rural areas. The quality of physical facilities in schools was poor, teachers were under-paid and basic necessities like text books were in short supply. Furthermore, there was imbalance in the type of education imparted which was reflected in bias against teaching of science subjects at all levels. Attempts to rectify the situation met with serious difficulties due to largely to lack of adequately trained teachers.

Table 41

Output of Educated Persons as Percentage of Enrolled  
(1960-61 to 1979-80)

(Percent)

	Matriculates	College Degree	University
1960-61	34.6	33.5	26.0
1964-65	32.5	36.7	30.0
1969-70	40.4	57.1	56.7
1974-75	33.2	47.9	55.5
1979-80	33.3	50.4	41.4

Source: Calculated from Appendix Table VI.

Some indication of general efficiency of education system can be had by looking at drop-out rates. Table 41 shows the output of educated persons as percentage of total enrolled at three different levels. The table shows that drop-out rate was much higher at lower levels of education. But especially at the College and University levels drop-out rate declined during the period from 1960 to 1980. However, in the case of matriculates the drop-out rate has been around 67 per cent. And at primary education level the situation was far worse. Not only was drop-out rate very high but repeater rate was high as well. This was due to a variety of reasons. For poor families the cost of schooling was sometimes unbearable while the opportunity cost increased with length of schooling because of earning potential of children. Moreover, socio-cultural factors prevented the enrollment and longer schooling of girls, which contributed substantially to higher overall drop-out rates.

## APPENDIX TABLES

Table I

Value Added by Different Production Sectors  
GDP, GNP  
(1949-50 to 1979-80)

	(Million Rupees)			
	1949-50	1959-60	1969-70	1979-80
Commodity Producing Sectors	7583	9799	17917	23999
Agriculture	6595	7711	12574	15859
Mining and Quarrying	27	70	157	250
Manufacturing	961	2018	5186	7890
Large-Scale	277	1159	4042	5575
Small-Scale	684	859	1144	2315
Services Sectors	4815	7027	14419	26424
Construction	179	427	1357	2644
Electricity, Gas	27	87	639	1531
Transport, Storage	617	952	2026	3487
Wholesale, Retail Trade	1477	2105	4457	6953
Banking, Insurance	55	160	579	1312
Ownership of Dwellings	632	837	1112	1577
Public Administration and Defence	873	1048	2080	5209
Services (others)	955	1411	2169	3711
GDP	12398	16826	32336	50423
Net Factor Income from Abroad	(- )18	(- )23	(+ )2	(+ )3152
GNP	12380	16803	32338	53575
Mid-Year Population Millions	35.31	45.03	59.70	80.23
Per Capita Income	351	373	542	668

Source: (38)

Table II

Gross Domestic Investment  
(1959/60 to 1979/80)  
(at Current Market Prices)

(Million Rupees)

	Domestic Investment		Changes in Stocks	Total Investment
	Private Sector	Public Sector		
1959-60	1025	990	25	2040
1964-65	3230	2746	40	6016
1969-70	3493	3341	706	7540
1974-75	5208	11010	2000	18218
1979-80	12441	26420	2000	40861

Source: for 1959-60 to 1964-65: (54)  
por 1969-70 to 1979-80: (38)



Table- III

Fixed Capital Formation by Economic  
Sectors  
(1964-65 to 1979-80)  
(Current Market Prices)

(Million Rupees)

	1964-65			1969-70			1974-75			1979-80		
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
Commodity Producing Sectors	1182.0	2807.0	3989.0	1212.3	1889.5	3101.8	2167.7	2312.8	4480.5	7436.4	5509.4	12945.8
Agriculture	1042.0	361.0	1403.0	1024.8	476.1	1500.9	1043.2	845.7	1888.9	730.8	2465.3	3196.1
Manufacturing	133.0	1283.0	1416.0	179.2	1395.9	1575.1	1064.9	1436.9	2501.8	6592.2	2995.6	9588.5
Large-Scale	-	1148.0	1148.0	177.1	1208.2	1385.3	1056.6	990.4	2047.0	2573.2	2177.3	8750.5
Mining and Quarrying	7.0	15.0	22.0	8.3	17.5	25.8	59.6	30.2	89.8	112.7	48.5	161.2
Services Sectors	1350.0	1540.0	2890.0	2128.4	1603.8	3732.2	8842.4	2895.0	11737.4	18983.5	6931.2	25914.7
Construction	-	38.0	38.0	-	61.0	61.0	-	62.3	62.3	-	96.8	96.8
Ownership of Dwellings	-	478.0	478.0	-	502.3	502.3	-	1336.4	1336.4	-	3003.0	3003.0
Public Administration <sup>1</sup>	671.0	-	671.0	1063.5	-	1063.5	3783.2	-	3783.2	6839.6	-	6839.6
Other Services	679.0	1024.0	1703.0	1064.9	1040.5	2105.4	5059.2	1696.3	6755.5	12143.9	3831.4	15975.3

Source: For 1964-65: (54)

For 1969-70 to 1979-80: (38)

1: Includes Electricity and Gas, Finance, Transport and Communications, Railways, Services and Rural Development.

Table IV

Savings  
(1959/60 to 1979/80)  
(Current Market Prices)

(Million Rupees).

(1)	Domestic Savings			Foreign Saving (5)	Total Saving (6=4+5)
	Public (2)	Private (3)	Total (4)		
1959-60	-251	1129	878	1162	2040
1964-65	59	3620	3679	2337	6016
1969-70	452	5848	6300	1240	7540
1974-75	-639	7297	6658	11560	18218
1979-80	5149	24746	29895	10966	40861

Source: Columns 2,3,4 for the years 1959-60 to 1969-70: (54)

Column 5 calculated as difference between Domestic Investment and Domestic Savings.

Table V

Enrollment in Educational Institutions  
by Kind  
(1960-61 to 1979-80)

	(Thousands)				
	1960-61	1964-65	1969-70	1974-75	1979-80
Primary (1-5)	2060	3050	3910	4980	5931
Middle (6-8)	449	624	899	1191	1395
Higher (9-10)	160	222	337	465	552
Secondary and Vocational	15	21	29	42	35
Colleges	71	127	175	208	241
Professional Colleges	13	17	34	45	72
Universities	5	13	15	21	21
Total	2773	4074	5399	6952	8247

Source: (38).

Table VI

Output of Educated Persons by level  
(1960-61 to 1979-80)

(Thousands)

	Matriculates	Intermediate	Degree	University
1960-61	55.4	14.6	9.2	1.3
1964-65	72.1	30.3	16.3	3.9
1969-70	136.1	62.5	37.5	8.5
1974-75	154.2	51.8	47.9	11.1
1979-80	184.0	72.0	49.5	8.7

Source: (38).

Table VII

Imports, Exports, Total Trade,  
Trade Balance and GNP  
( at Current Prices )  
(1949-50 to 1979-80)

(Million Rupees)					
	Imports	Exports	Total Trade	Trade Balance	GNP
1949-50	912.2	535.1	1447.3	-377.1	
1954-55	783.0	491.4	1274.4	-291.6	
1959-60	1805.7	763.1	2568.8	-1042.6	16803
1964-65	3672.4	1139.6	4812.0	-2532.8	16147
1969-70	3285.1	1608.6	4893.7	-1676.5	43348
1974-75	20925.0	10286.3	31211.3	-10638.7	105787
1979-80	46929.1	23410.1	70339.2	-23519.0	230867

Source: (38).

Table VIII

Terms of Trade  
 (1969-70=100)  
 (1970-71 to 1979-80)

	Export Trade Index	Import Trade Index	Terms of Trade
1970-71	106.9	119.7	89.3
1971-72	129.1	155.9	82.8
1972-73	272.6	285.2	95.6
1973-74	439.0	412.6	106.4
1974-75	409.7	614.5	66.7
1975-76	410.8	582.6	70.5
1976-77	481.7	627.3	76.8
1977-78	507.7	683.8	74.2
1978-79	632.2	710.6	89.0
1979-80	683.2	869.7	78.6

Source: For the years 1970 to 1975: (36),

For the rest of the years: (38).

Table \_\_\_\_\_ VIV

Composition of Imports  
(1964-65 to. 1979-80)

(Million Rupees)

	Capital Goods	Industrial Capital Goods	Raw Material Consumer Goods	Total	Consumer Goods	Total
1964-65	1764	-	-	954	954	3672
1967-68	1575	-	-	1012	740	3327
1969-70	1655	344	957	1301	329	3285
1974-75	6152	1802	8257	10059	4714	20925
1979-80	16679	2916	19835	22751	7500	46929

Source: For 1964-68 (54)

For other years (38).

Table X

Major Imports  
(1964-65 to 1979-80)

	(Million Rupees)				
	1964-65	1967-68	1969-70	1974-75	1979-80
Food Products	705.0	582.0	133.7	4493.7	4792.3
Foodgrains	573.0	490.0	55.7	2469.5	1050.1
Tea and Sugar	-	-	0.9	664.4	1447.3
Edible Oil	132.0	92.0	77.1	1359.8	2294.9
Patroleum and Products	10.0	181.0	208.4	3333.6	10684.6
Fertilizers	8.0	123.0	282.3	1022.0	2711.1
Transport Equipment	223.0	156.0	340.1	1226.6	4903.0
Chemicals and Medicines	192.0	165.0	153.6	644.8	1645.9
Electrical Goods	103.0	77.0	218.9	1186.5	1904.3
Non-Electrical Machinery	358.0	454.0	709.0	2070.8	5589.9
Iron and Steel Goods	318.0	135.0	360.5	2054.1	2992.0
Total	3672.0	3327.0	3285.1	20925.0	46929.1

Source: For 1964-68 (54)

For other years (30)



Table XI

Composition of Exports  
(1969-70 to 1979-80)

	(Million Rupees)			
	Primary Goods	Semi-Manufactured Goods	Manufactured Goods	Total
1969-70	531.7	375.4	701.5	1608.6
1970-71	650.3	472.2	876.0	1998.5
1971-72	1510.4	913.8	947.2	3371.4
1972-73	3365.6	2583.3	2602.3	8551.2
1973-74	4007.3	2293.8	3860.1	10161.2
1974-75	4931.5	1308.2	4046.6	10286.3
1975-76	4902.2	2067.5	4283.2	11252.9
1976-77	4622.4	1888.1	4783.4	11293.9
1977-78	4634.2	1911.5	6434.7	12980.4
1978-79	5473.7	3488.6	7962.7	16925.0
1979-80	9838.3	3519.3	10052.5	23410.1

Source: (38).

Table XII  
Major Exports  
(1969-70 to 1979-80)

	(Million Rupees)				
	1969-70	1971-72	1974-75	1977-78	1979-80
Rice	93.9	274.1	2303.7	2408.5	4179.3
Cotton Products	740.2	1970.1	3952.7	4041.2	8506.2
Raw Cotton	209.7	954.8	1543.9	1101.8	3321.0
Cotton Yarn	254.0	592.3	851.4	1059.5	2038.0
Cotton Cloth	257.6	387.1	1312.5	1741.2	2416.0
Garments	18.9	35.9	244.9	138.7	731.2
Fish and Preparations	83.3	111.1	156.5	341.4	530.5
Carpets and Rugs	55.1	108.7	456.0	1170.8	2198.4
Leather	109.3	173.5	367.3	636.5	1264.4
Total	1608.6	3371.4	10286.3	12980.4	23410.1

Source: (38).

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