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Book Review

McCartney, Mathew, *Pakistan – The Political Economy of Growth, Stagnation and the State, 1951–2009,* Routledge, London and New York, ISBN13: 978-0-415-57747-2 and ISBN13: 978-0-203-81476-5, 2011, pp. 241.

This book is, one can assert without a doubt, *sui generis*, unique in that it provides an entirely new perspective on the development of Pakistan's political economy. It is a thorough and objective analysis, an eye-opener, and the author leaves no stone unturned.

At the outset, the book critiques conventional regression-based investigations of growth in developing countries. The author then focuses on the theoretical and develops a model in order to analyze and evaluate the role of the state in economic development. Essentially, he asserts that the state has three functions: First, a financial role in channeling the economic surplus to those individuals who are able to invest productively; second, a production role to ensure that such financial resources are utilized productively, which involves either raising productivity or upgrading to a higher technology market niche. According to McCartney, the state has a crucial role in both encouraging and facilitating learning by the private sector. Third, the state utilizes institutions to act as a mediator between conflict and economic growth.

The author asserts that conflict is an integral part of the process of growth and, further, that economic development and political stability are two entirely different and opposing processes. Conflict is almost an inevitable part of economic growth, which involves significant changes in property rights and income distribution. Not considering the role of conflict and its centrality in growth would be to ignore a central aspect of Pakistan's political economic development. A repressive state, an inclusive state, or an ideological state can help lessen the negative fallout of conflict on development. The author elaborates at great length on this later in the book. This perspective on the political economy of Pakistan is both unusual and insightful.

Following the introductory chapter, the author provides fairly scathing criticism of orthodox analysis of economic growth in developing countries. The use of averages, according to McCartney, conceals an important empirical reality of the process of growth. These, he states, are the structural breaks and phases of expansion and stagnation that are typical of the growth process. He adds that there are numerous problems with uncovering any link from policy to growth.

The book in its entirety is schematically and methodically divided into episodes of growth and stagnation between 1951 and 2008. According to the author, there are three episodes of growth, 1951/52 to 1958/59, 1960/61 to 1969/70, and 2003/04 to 2008/09, while the two episodes of stagnation include 1970/71 to 1991/92 and 1992/93 to 2002/03.

The next chapter reveals that the surplus mobilized by the state in the first episode of growth was minimal. Creeping growth of savings and tax revenue compelled the state to rely on capital inflows from abroad. Further, the main source of growth during this period was import substitution.

Chapter 6 indicates that, although the government attempted to mobilize a surplus, during the episode of growth from 1960/61 to 1969/70, this was constrained and generally unsuccessful as savings and tax revenue only increased marginally. The following section looks at the role of the state in achieving a productive use of the surplus in both the public and private sectors. The fundamental sources of growth were domestic demand and the green revolution in agriculture, while export growth also played a part. However, there was a considerable level of inefficiency and low productivity in both industry and agriculture at the start of the period.

The chapter on the episode of stagnation, 1970/71 to 1991/92, discusses how the domestic surplus mobilized by the state was stagnant. Also, Pakistan did not then follow a pattern of growth based on its labor-intensive comparative advantage. As to the institutions that may or may not allow the state to tide over the conflicts associated with economic growth, the author claims that the elections of 1970 gave Pakistan the opportunity to allow for the supremacy of democratic over repressive state institutions.

During the episode of stagnation, 1992/93 to 2002/03, the state found it virtually impossible to mobilize a domestic surplus following 1992/93, unlike its success in this after 2003/04. During the latter period of growth, there were indications of improvements in efficiency and productivity from the abysmally low levels in the 1990s. However, the author concludes that this episode of growth was, in the final analysis, unsustainable and would in all probability have withered away even without the financial crisis of 2008–10.

McCartney skillfully blends the political with the economic. Apart from the occasional arid and repetitive passages, and despite the academic and scholarly complexion, it is a riveting read. The plethora of statistics sprinkled throughout the chapters substantiate his arguments albeit making it somewhat tedious reading. The book is decidedly not for the uninitiated but a must-read for anyone interested in the intricacies of the subject.

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