**‘Big bang’ opportunity**

From the Dawn Newspaper | [Ishrat Husain](http://dawn.com/author/dawnishrathusain/) | March 11, 2013

**THE debate on the relative merits of “big bang” economic reforms vis-à-vis “gradual” reforms has preoccupied policymakers in many emerging nations since the collapse of the Soviet Union in the early 1990s.**

The proponents of “big bang” reforms argue that the latter will bring about a fundamental shift in people’s expectations about the future by altering the existing structure of the economy. Detractors say that the resulting dislocation to the economy and uncertainty will do more harm than good. The capacity of the state to implement so many sectoral and micro-economic reforms simultaneously is limited and therefore the risks of failure are high. They point to the sale of state-owned assets at rock-bottom prices to a group of Russian oligarchs — a direct result of hasty, ill-prepared and opaque privatisation. Faced with violence, Mexico, like Pakistan, is underperforming. The recent elections brought to power a reformer, President Enrique Pena Nieto, who is committed to unlocking Mexico’s suppressed economic potential. He has decided to follow a “big bang” approach and is bringing about landmark reforms in sectors such as energy, tax, labour and education.

The announcement of this reform package has suddenly focused global investors’ attention on Mexico. Oil majors such as Exxon, Mobil and Royal Dutch Shell are ready to invest billions of dollars in the energy sector. Economists believe that this reform package could transform Mexico into one of the most promising markets and increase the annual economic growth to six per cent. What lessons can we draw from this approach? Pakistan has demonstrated it can grow rapidly provided there is a conducive environment for firms, farms, small businesses, service providers, etc. The country has been underperforming for the last five years. Investor confidence, domestic and foreign, has hit rock bottom and the general mood here regarding the economy is that of depression and uncertainty.

The biggest deterrent to new investment is the current state of the depressed economy and an atmosphere of gloom and doom. Declining investment, in turn, has slowed growth reinforcing the population’s despondency. To break out of this, an attempt has to be made to uplift the sentiments of both the market and the general population.

This is hardly possible under a gradual reform approach. But there is a big opportunity to turn things around.

That opportunity is the successful transition from one democratically elected government to another for the first time in the country’s history. Such a transition will soothe the nerves of those who always see a conspiracy by the military and America to deprive the country of its democratic rights. As a result of such a transition, political stability, a sine qua non for economic reforms, would be ushered in providing the basis for a favourable business and investment clime. It is most likely that a coalition government, led by one of the major political parties, will assume power.

Irrespective of whether it is the ruling party or the opposition parties that come to power this opportunity should not be missed, and a “big bang” reform package should be introduced. Fortunately, much work has already been done by the government, the Economic Advisory Council, the Planning Commission, external donor agencies and the private sector including the Pakistan Business Council. Thanks to this effort, the contours, contents and projected consequences of various reforms are available.

Once elections take place and the transition is smooth the uncertainty regarding political survival will no longer loom large. The next government will be required to fine-tune various reforms, turning them into a coherent action plan. It must work out the modalities of implementation, assign responsibility and divide work between the federal and provincial governments, monitor progress regularly and take corrective actions when needed.

It is possible that this package of reforms could be launched with full vigour within the first year of the newly elected government. The benefits and results of this effort will start becoming visible by the time the next election cycle begins, giving enormous political advantage to the incumbents.

What should be the components of this comprehensive economic reform package? Top on the list would be energy, tax and tariff, privatisation and restructuring of public enterprises, education, technology, competition and the civil services.

Reforms are badly required to create jobs to absorb millions of new entrants into the labour force every year. Dependence on the IMF and other traditional economic partners in lieu of these reforms is no longer a viable option. If the next rulers commit the same mistake and rely on external assistance instead of putting their house in order, we will be in for a much greater shock. To create the “big bang” effect all these reforms must be carried out simultaneously as a comprehensive package. This effect will boost the confidence of investors and change the general mood of the country.

However, the above agenda cannot be executed unless we make a fundamental shift in our collective mindset. If the new government along with the judiciary, media and parliamentary committees decide on a witch-hunt against the outgoing government in the name of accountability, indulge in retribution, continue with insinuations and unverified allegations of wrongdoing, then we can forget about any beneficial impact resulting from these reforms.

Those entrusted with the implementation of these reforms will be constantly preparing their replies, appearing before court, the National Accountability Bureau, Public Accounts Committee, FBR, etc responding to news stories and defending their honour. They’d have very little time for anything else. Contrary to conventional wisdom the capacity to implement does exist but has been dissipated and diverted in pursuit of these unproductive activities. No doubt those found guilty of corruption and malfeasance should be punished after due process but others should be spared this agony and allowed to work diligently.

If this opportunity is missed, we will plunge deeper into a state of despair. This is a sure path to stagnation and decline in incomes, jobs and livelihoods. It is a threat to our existence. Will we as a nation seize this opportunity and turn the course or will we continue on our journey towards the cliff?

*The writer is dean and director of the Institute of Business Administration, Karachi.*