

THE POLITICS OF ECONOMIC REFORM AND RESISTANCE

In this chapter I shall analyze the process of socioeconomic reform and resistance that emerged in Pakistan under the civilian regime led by Zulfikar Ali Bhutto. The focus shall be on (1) the reformist nature of Bhutto's political leadership, (2) the role of socialist factions within the PPP in formulating the policies of socioeconomic reform, and (3) the role of the resistance groups, classes, and elites in mitigating the impact of these reforms. To what degree, if any did the policies of socioeconomic reform lead to the growth of conflicts: public versus private sector, agriculture versus industry, and laissez-faire capitalism versus mixed economy? Furthermore, did the socioeconomic reform weaken the military hegemonic political system and create conditions for the development of an alternate political system?

Two important trends merit attention. First, the financial-industrial groups revealed a great capacity to resist Bhutto's reformism compared to any other group. These groups were reluctant, slow but persistent, in organizing resistance. Bhutto and the PPP socialist factions under-estimated the resistance capacity of the financial-industrial groups. Most scholarly studies have paid inadequate attention to this aspect of the financial-industrial groups during the Bhutto period. Second, compared to a military hegemonic regime, a civilian regime, despite tendencies of authoritarianism, provided greater scope and maneuverability to various groups to influence policy outcomes. This is demonstrated by the manner in which these financial-industrial groups were able to maintain their dominant position in the country's economy despite nationalization. These groups were not as weak as Bhutto had assumed.

It has been correctly pointed out that the groups and classes that Bhutto brought to power were not adequately represented in the political and economic power structure he inherited from the military regime.³⁵⁸ Would he be able to integrate the new groups and classes without hurting the interest of the powerful elites, groups and classes? For Bhutto the task was not easy.

The coalition that Bhutto brought to power was composed of (1) the feudals, particularly those who were excluded under the military regime (2) the middle classes predominantly urban professionals, (3) industrial labor, (4) petty government employees, and (5) the peasantry. However, those who commanded positions of influence and leadership within the PPP, in terms of social class origins and group support, had their roots among the feudal classes of Punjab and Sindh, and the Urban

³⁵⁸ Shahid Javed Burki, *Pakistan under Bhutto: 1971–1977* (London: The MacMillan Co., 1980), p. 71.

professionals. In the early phase of Bhutto's rule, i.e., from 1971 to 1973, the PPP feudals emerged as the dominant leaders at the provincial level, while at the center (national level), Urban professionals acquired positions of visible influence. For example, in the first Bhutto cabinet, of 10 ministers, six were urban professionals.³⁵⁹ It is generally recognized by scholars that, compared to earlier cabinets under either civilian or military regimes, the central ministers of the Bhutto cabinet had greater autonomy and effective control over the bureaucracy.³⁶⁰ This was particularly true in the early phase of the Bhutto period because (1) these ministers were a product of electoral politics, (2) some of them believed that the bureaucracy should be subordinate to the political leadership, and (3) some of them were committed to implementing the socialist goals of the party.

Thus the PPP brought to power a new set of individuals uninitiated into the existing power structure of Pakistan. These novices were keen to curb the power of the existing elites and aimed to redefine the relationship between the bureaucratic military elites and the financial-industrial groups. These new influential were the leaders of the socialist faction within the PPP, individuals like Dr. Mubashir Hasan, who became Minister of finance, Economic Affairs and Development, J. A. Rahim, Minister for Presidential Affairs, Culture, planning and Agrovilles, Sheikh Mohammad Rashid, Minister for Social Welfare, Health and Family Planning, Mian Mahmood Ali Kasuri, Minister for Law and Parliamentary Affairs, and Khursheed Hasan Meer, Minister for Establishment. Despite their ideological-cum-personal differences, these individuals (with the exception of Kasuri) were influential in steering the Pakistani economy in a socialist direction. They did not have any consensus on the nature and degree of socialism, nor did they exhibit any unison or coordination in the formulation of the socioeconomic reforms launched by Bhutto.³⁶¹ However, most of them encouraged Bhutto to honor the PPP's electoral promise of socioeconomic reform. The support of the PPP's socialist factions was crucial in helping Bhutto pursue reformist policies.

Bhutto was a unique leader in Pakistan's political history, not because of his charisma or the unusual circumstances (i.e the disintegration of Pakistan) that many believed he had caused, or, on the other hand, inherited, but because he campaigned and won election as a socialist. This had two consequences. On assuming power, Bhutto did move Pakistan in a "socialist direction" and attempted to honor his pledges of socioeconomic reform.³⁶²

³⁵⁹ Zulfikar Ali Bhutto, *President of Pakistan: Speeches and Statements, December 20, 1971– March 1972* (Karachi: Department of Films and Publications, Government of Pakistan, 1972), p. 18.

³⁶⁰ Yusuf Hamid, *Pakistan in Search of Democracy, 1947–1977* (Lahore: Afro Asia Publications, 1980), pp. 112–113.

³⁶¹ Burki, *op.cit.*, pp. 112–114.

³⁶² Gerald A. Heeger, "Socialism in Pakistan," in Helen Desfesses and Jacques (eds.), *Socialism in the Third World* (New York: Praeger, 1975), pp. 291–301; Anwar H. Syed, "The Pakistan People's Party: Phases One Two," in Lawrence Ziring, Ralph Braibanti and Howard Wriggins (eds.), *Pakistan: The Long View* (Durham, North Carolina: Duke University Press, 1977), pp. 91–106.

The second notable aspect of the Bhutto period was that his rise to power marked the upsurge of the middle classes in the economic and political decision-making process. It had all the signs of a bourgeois revolution.³⁶³ Given the popular mandate, Bhutto chose to restrict the role of the financial-industrial groups in the economic structure of Pakistan. His first priority was to redefine the pattern of relationship that existed between the bureaucracy and the financial-industrial groups. "Centralization of Power," Huntington says, is "an essential pre-requisite for policy innovation and reform."³⁶⁴ For Bhutto, "centralization of power" became a pre-condition of instituting reform. Therefore, rule and reform became intertwined as Bhutto moved to redirect and redefine the pattern of relationship between the bureaucracy and the financial-industrial groups. The coalition that Bhutto had brought to power (the PPP) was not only unfamiliar with the power structure but was also faction-ridden and very loosely organized. It has been argued and well-documented that Bhutto did not make a serious effort to streamline the party organization, but, instead, was content to keep the party under personal control.³⁶⁵ His primary concern was to subordinate the military-bureaucratic elites under civilian leadership and to break the channels of personal and institutional access between the bureaucracy and the financial-industrial groups.³⁶⁶ Thus, rule and reform became issues of primary concern for Bhutto and his associates. Invariably, Bhutto oscillated between rule and reform and found it difficult to maintain a balance between the two. This led some scholars to conclude that Bhutto was motivated by considerations of rule rather than reform.³⁶⁷ Rule and reform are complementary processes. The reform that the PPP and Bhutto wanted to pursue had a popular mandate but did not have the approval or support of the financial-industrial groups, a segment of feudal class, and the military-bureaucratic and religious elites.

Before Bhutto could initiate reform, he was confronted with what Richard Neustad has termed a "classic problem" that the political leader has to face in any political system, namely: "How to be on top in fact, as well as in name."³⁶⁸ This problem is of critical significance in the developing countries where in absence of well-defined rules of the political game or the traditional order in society demand that political leaders demonstrate that they are on top "in fact" and "in name." Bhutto demonstrated this by

³⁶³ Robert A. LaPorte, Jr., *Power and Privilege: Influence and Decision-Making in Pakistan* (Berkeley: University of California Press, 1975). p. 116.

³⁶⁴ Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968), p. 366.

³⁶⁵ For an excellent discussion on factionalism in the PPP, see Philip Jones, "Pakistan People's Party," unpublished Ph.D. dissertation, Tufts University, 1977 pp. 661–664; Anwar H. Syed, op.cit., pp. 91–100. For some fresh insights see, Anwar H. Syed, *The Discourse and Politics of Zulfikar Ali Bhutto*, London: MacMillan, 1992. pp. 207–214.

³⁶⁶ Stanley A. Kochanek, *Interest Groups and Development: Business and Politics in Pakistan* (Delhi: Oxford University Press, 1983), p. 272.

³⁶⁷ Khalid B. Sayeed, *Politics in Pakistan: The Nature and Direction of Change* (New York: Praeger, 1980), p. 89; Lawrence Ziring, *Pakistan: The Enigma of Political Development* (London: Dawson, 1980), pp. 145–197.

³⁶⁸ Richard E. Neustad, *Presidential Power: The Politics of Leadership* (New York: John Wiley and Sons, 1960), Preface.

purging the military bureaucratic elites, who were closely identified with the military regime. He also ordered the arrest of such leading industrialists as Ahmed Dawood, Valika, and General (retired) Habib Ullah of Gandhara Industries, the member of the "Lucky 22 families."³⁶⁹ In the societal context of Pakistan, by such symbolic and real acts, Bhutto dishonored the honored or the privileged groups. To establish its authority, the new regime found itself reducing the power of the privileged groups and classes.³⁷⁰

To ensure regime stability, Bhutto needed to build authority and gain in the legitimacy he needed to honor his pledges of socioeconomic reform. His regime inherited a low degree of authority. The fundamental task was to build authority, both personal and institutional. In short, Bhutto was confronted with the task of creating a balance between regime-building and instituting socioeconomic reform. For him the paradox was how to find an acceptable mix of the two processes.

The civil war produced a breakdown of authority leading to the disintegration of Pakistan. Under conditions of administrative chaos, voluntary civilian compliance with authority was difficult to obtain. Various demand groups, which the PPP had either mobilized or helped to create, sought to pressure the new regime before it could consolidate its power, utilizing street protests or other forums available to them. These groups included professional organizations of teachers, engineers, journalists, doctors, etc., which had emerged anticipating the PPP's reformist intentions (similar to the Punjab Zimindar Association and the Association of Textile Owners). In addition, industrial labor, which was the new regime's principal support base, continued Gheraos (lockout of the employers by the employees).³⁷¹ The crisis of building authority was further deepened when, within weeks after the PPP assumed power, the country's police went on a nation-wide strike and prisoners revolted in most of the prisons in major cities.³⁷² Bhutto called the police strike a "mutiny."³⁷³ The PPP cadres and the People's Guards (a militant wing of the PPP) were mobilized to enforce law and order. But in general, it was the cooperative response of the public that defused the crisis.³⁷⁴ Bhutto and the PPP leaders now became skeptical about the military bureaucratic elites' allegiance to the new regime. It was in the wake of the police strike and the prisoners' revolt that Bhutto resolved to remove Lieutenant General Gul Hassan, acting Commander-in-Chief of the army since 1971, and Air Marshal A. Rahim Khan, plus six other senior Air Force officers. Bhutto claimed that this was done to root out the "Bonapartic influences" that had crept into Pakistan's socio-political life and to ensure that the "professional soldiers" did not turn into "professional politicians."³⁷⁵ In an

³⁶⁹ Imroze, Lahore, December 22, 1971. *op.cit.* p. 109.

³⁷⁰ Burki, *op.cit.*, pp. 98–104.

³⁷¹ Imroze, Lahore, January 1, 1972.

³⁷² *Ibid.*, January 7, 8, 9, 11, 20, 1972.

³⁷³ Bhutto, *Speeches and Statements, December 20, 1972–March 31, 1972*, p. 172.

³⁷⁴ Imroze, March 2, 1972.

³⁷⁵ Bhutto, *Speeches and Statements, December 20, 1972–March 31, 1972*, pp. 110–111.

interview with a Lahore news journal *Atish Fishan* in May 1980, General Gul Hasan revealed that during the police strike, both the army and air force declined to cooperate with their civilian regime, and he declined President Bhutto's request to send in troops to restore law and order.³⁷⁶

Lack of support from the military-bureaucratic elites at a time when the regime was confronted with a serious law and order situation may have prompted Bhutto to purge senior military and civilian officers. In addition to the military shake-up, on March 12, 1972 the Bhutto regime, through Martial Law Order Number 114, dismissed 1,300 civil servants. The purges were massive, arbitrary, and not only sent shock waves among the bureaucracy, but also evoked protests from the opposition political parties.³⁷⁷ By April 1972, it appeared that, through purges and large-scale administrative personnel changes, Bhutto had effectively controlled and curbed the military and civilian bureaucracies.³⁷⁸ Later events were to reveal that Bhutto was not satisfied with these changes and sought the creation of alternate authoritarian institutions.

To accomplish the goal of creating alternate authoritarian institutions, Bhutto first had to resolve two problems. The first was how to diminish the power of the military bureaucratic elites and the financial-industrial groups. The former controlled the sources of patronage in a resource-scarce economy; the latter controlled the major source of industrial and financial wealth. Jointly, they regulated and dominated the economy of the country. The second problem was how to sustain a very broad coalition of contradictory class and group interests and also enforce some degree of economic reform.

Reform and Reformist Leadership

As noted in chapter 4, Bhutto inherited a crisis-ridden Pakistan. In addition to the crisis situation, the PPP-led reform became possible because of three other factors: (1) electoral competition, in that the PPP, as a product of electoral competition, was committed to honor the pledges it had made to its supporters, (2) the role of socialist factions within the PPP, and (3) the modernist and socially progressive outlook of Bhutto. Bhutto was a reformist political leader who ventured to re-orient and rebuild the socioeconomic structure of Pakistan by pursuing policies of gradual or incremental change. He orchestrated social change and redefined the priorities of social development and economic growth in Pakistan. The dynamics of Bhutto's reformist leadership will be analyzed within the context of the factors mentioned previously.

Bhutto's reformist policies have prompted considerable scholarly description and analysis of his political leadership. Despite differences of interpretation, most of these

³⁷⁶ *Atishfishan*, Lahore, Vol. 8, No. 9 (May 1980), p. 19.

³⁷⁷ *Imroze*, Lahore, March 13, 1972.

³⁷⁸ *LaPorte*, op.cit., pp. 120–121.

have a common theme.³⁷⁹ They cluster around Bhutto's personality, motives, and social class origins with a heavy emphasis on the motive factor, underscoring Bhutto's desire to dominate Pakistan's political system. In general these studies provide some interesting and useful insights into Bhutto's personality and how his feudal social class origins and western education influenced his political behavior and style. Based on their treatment of Bhutto's leadership, these studies can be divided into a three-fold typology, as shown in Table 5.1.

<i>Study</i>	<i>Characteristics of Political Behavior and Style</i>
Ziring (1980)	<i>Feudal- Authoritarian:</i> motivated by personal aggrandizement. <i>Patrimonial:</i> patronage and reward to loyalists and punishment for adversaries. <i>Democrat-Despot:</i> a schizophrenic personality torn between his feudal background and western values.
K. B. Sayeed (1980)	
G. Heeger (1975)	
M. Lodi (1981)	
A. Syed (1977)	
P. Jones (1978)	
S. J. Burki (1981)	
S. Taseer (1980)	
S. Wolpert (1993)	

In the Ziring-Sayeed view, Bhutto's leadership was authoritarian, feudal and even fascist.³⁸⁰ In these studies Bhutto emerges as a leader who was motivated by personal gain and self-aggrandizement, and who had little or no reformist intent. According to Ziring, Bhutto was "a typical Sindhi landlord," had a "suspicious mind" and ... relished being described as the Quaid-i-Awam" [leader of the people]. He was not only the key decision-maker, he insisted on being the only decision-maker in the country. His imperial style replicated his Sindhi landlord experience.³⁸¹ In similar terms, K. B. Sayeed has described Bhutto as a "Bonapartist" leader, who ... was primarily motivated by animus dominandi, that is, through the aggrandizement of his own power, he wanted to control every major class or interest by weakening its power base and by making it subservient to his will and policies. He nationalized a number of major industries with the purpose of setting up not socialism but a kind of state capitalism.³⁸²

³⁷⁹ Burki, *op.cit.*, pp. 81–84, 88–89; Sayeed, p. 91, Ziring, p. 126; Heeger, "Politics in Post-Military State, *op.cit.*, pp. 254–258; Philp Jones, *op.cit.*, p. 624–627, 667; Syed, pp. 73–76, 110–116; Salman Taseer, *Bhutto: A Political Biography* (Delhi: Vikas Publishing House, 1980), pp. 12–14, 93– 94; Maleeha Lodi, "Bhutto, the Pakistan Peoples Party and Political Development in Pakistan, 1967– 1977," unpublished Ph.D. dissertation, University of London, 1981, pp. 650–651. For some fresh reassessments basically along with the same themes, see Anwar H. Syed, *The Discourse ... op.cit.*, pp. 252–254. Ayesha Jalal, *Democracy and Authoritarianism in South Asia: A Comparative and Historical Perspective*, Lahore: Sang-e-Meel Publishers, 1995. pp. 77–84. Stanley Wolpert, *Zulfikar Ali Bhutto of Pakistan*, New York: Oxford University Press, 1993. 003–26.

³⁸⁰ Sayeed *op.cit.*, p. 92; Ziring *op.cit.*, pp.122, 145–146

³⁸¹ Ziring, *op.cit.*, p. 126 and pp. 146–148.

³⁸² Sayeed, *op.cit.*, p. 91.

Heeger has described Bhutto's leadership as "patrimonial."³⁸³ He was the first to use this concept to explain the substance and style of Bhutto's politics. By patrimonialism, Heeger implied personal rulership as opposed to rule through organizational means (i.e., the political party). He found Bhutto to be a patrimonial leader who indulged in distributing rewards and incentives to those who were loyal to him and punished his adversaries. Patronage was considered the key to building a support network.

Maleeha Lodi has further dwelt upon the concept of patrimonialism.³⁸⁴ She has argued that the personalist approach suited Bhutto's political skills and temperament and that, given the weak political institutions and shifting alliances in Pakistani politics, he exploited the situation to his full advantage.

Bhutto's preference for personal rulership over organizational means (i.e., party rule) has been noted by such others as Taseer, Anwar Syed and Jones.³⁸⁵ Although Anwar Syed and Philip Jones do not use the term patrimonial to describe Bhutto's political leadership and style, they do present Bhutto as a political craftsman, a real-politic practitioner who strove to develop support networks by rewarding those who showed allegiance to him and chastising those who opposed him. In these studies, Bhutto emerges as a leader who was attracted by power and his personal destiny. Salman Taseer, Shahid Javed Burki and Stanley Wolpert view Bhutto as a democrat despot, a political leader whose actions and political behavior were determined by his "feudal" class origins and western education and who oscillated between authoritarian and democratic tendencies because of these influences.

The two studies highlight the schizophrenic aspects of Bhutto's personality. Despite tremendous admiration for Bhutto and his politics, Salman Taseer found him "self-destructive and still enigmatic political personality." Shahid Javed Burki asserted that "Bhutto's personality" left a "peculiar imprint" on "the process of decision-making and the way decisions were implemented."³⁸⁶ Bhutto was certainly a complex personality. His feudal social class origins and western education did influence his political style and behavior and he was conscious of this. In his well-cited interview with Oriana Fallaci, Bhutto stated:

There are many conflicts in me. I am aware of that. I try to reconcile them, but I don't succeed and I remain this strange mixture of Asia and Europe.... My mind is Western and my soul Eastern.³⁸⁷

³⁸³ Heeger *op.cit.*, p. 254.

³⁸⁴ Lodi, *op.cit.*, pp. 651–653.

³⁸⁵ Taseer, *op.cit.*, pp. 148–152; Anwar Syed, Ziring and Braibanti (eds.) *op.cit.*, pp. 113–116; Jones, *op.cit.*, pp. 666–667.

³⁸⁶ Taseer, *op.cit.*, p. 8; Burki *op.cit.*, p. 7.

³⁸⁷ Oriana Fallaci, *Interview with History* (New York: Liverlight, 1976), p. 202.

All of these studies have considerable merit and provide a penetrating analysis of the authoritarian strains in Bhutto's personality. However, these studies do have some limitations. First, Sayeed and Ziring exaggerate the significance of the self-aggrandizement content of Bhutto's leadership in their studies obscuring the reformist content of Bhutto's leadership in their studies. Second, Burki and the aforementioned studies treat Bhutto as an independent variable, operating free from all constraints; even the patrimonial view considers Bhutto the sole dispenser of patronage and rewards and does not take full cognizance of the role of feudal and socialist factions within the PPP. The socialist factions were quite influential in the policy making process, particularly in the early phase of the PPP rule. They likewise do not deal with the fact that the feudal and socialist factions jockeyed for developing their own factional support base. Third, most of the above mentioned studies do not pay adequate attention to the fact the Bhutto was a product of electoral competition that was popularly supported, and he was committed to ushering in socioeconomic reform. Finally, these studies do not take into account the role of various resistance groups, analyzing the situation as if there were no resistance to Bhutto's policies, thereby confusing policy with outcome.

Bhutto as a Reformist Leader

This study differs from the other studies in arguing that it is rather simplistic to treat the entire reformist and modernist content of Bhutto's policies as if it were a function of his "schizophrenic personality," a mere "quest for power," or his preoccupation with "personal destiny," and that he showed an equally strong commitment to introducing progressive socioeconomic reform. Bhutto certainly sought autonomy, and at times gave the impression that he could act with a great degree of autonomy to achieve his goals. This authors' contention is that he had less autonomy than is generally attributed to him. Invariably, he responded to circumstances and pressures and functioned under political constraints. He ventured to combine real-politic with socioeconomic reform. In the process he may have failed to develop an ideal balance between rule and reform, but the fact that he persisted with reform in a modernizing society needs careful examination.

Reform must be seen in relation to the resistance it elicits. Reforms and reformist leadership do not occur in a vacuum; they have a social, economic and political context. It is this context that determines not only the nature and type of reformist leader, but also the degree of reform. This study also stresses that, to a considerable degree, reform entails coercion.³⁸⁸

The reformer (1) must possess political skills, (2) should be adept in methods, techniques, and the timing of introducing changes, and (3) should have a clear vision of

³⁸⁸ Hirschman, *op.cit.*, pp. 262–263.

his priorities, choices, and the types of reform he intends to institute.³⁸⁹ The reformer needs a higher order of political skills because invariably he is involved in a "multifront war." His enemies on one front may be his allies on another. Unlike the revolutionary who thrives on polarization, a reformer is confronted with having to satisfy both the radicals and the conservatives. He is burdened with reducing cleavages and building a consensus. In the process of reform-making, he may confront both and end up pleasing none.

The most critical task of the reformist leader is to devise policies of incremental change, not to usher in an abrupt and total change. A reformer is not oriented to the status quo but is a gradualist. He can adopt a "Fabian" approach, i.e., a policy of incremental change pursued through piecemeal reform. Through such an approach, the reformist leader conceals his aim. His policies are guided by an element of surprise whereby he keeps his adversaries guessing about his next move. The effectiveness of such a strategy depends on how skillful the reformist leader is in pursuing his policy goals. A reformer needs to maintain a balance between the degree of socioeconomic reform and the expansion of political participation. These goals are both difficult to achieve and strongly resisted by the conservatives and the privileged groups in the society.³⁹⁰ Given the nature of a national crisis, the breakdown of the political order and disintegration of the state as previously discussed, Bhutto's political constraints were overwhelming and his options of pursuing reform were limited. Yet he adopted a Fabian approach to rebuild and reform the socioeconomic structure in Pakistan. In his speeches, statements, and writings he constantly reminded his supporters of the iniquitous nature of Pakistan's socioeconomic system.³⁹¹ Invariably, Bhutto's public pronouncements were loaded with rhetoric that was radical compared to the actual reformist policies that he made public or intended to institute. This had a contradictory impact on Pakistani society. At one end it roused the popular political consciousness; at the other, it caused fear and suspicion among the privileged groups and classes. More than the substance of his reformist policies, it was his egalitarian rhetoric that irritated the conservative elements (both within and outside his party), but gave a sense of confidence to the weaker segments of society and raised their level of expectations.³⁹² It was in such a political environment that Bhutto proceeded to introduce incremental change through piecemeal reform.

The distinguished characteristic of Bhutto's reformism was that it was a product of the politics of protest and electoral competition that merged in Pakistan between 1968 and 1970. With the electoral success of the PPP in 1970 in West Pakistan, the private sector

³⁸⁹ Huntington, *op.cit.*, pp. 345–346.

³⁹⁰ *Ibid.*, p. 347.

³⁹¹ See, for example, Speeches and Statements of Bhutto from 1966–1969 and 1970–1971, compiled and entitled Politics of the People (Rawalpindi: Pakistan Publications, n.d., Vols. 2, 3).

³⁹² For a discussion on class contradictions, see Hassan Gardezi and Jamil Rashid (eds.), *Pakistan, The Roots of Dictatorship: The Political Economy of a Praetorian State* (London: Zed Press, 1983), pp. 8–11.

was visibly demoralized. The financial-industrial groups apparently lost their nerve and confidence in the economic future of the country. This trend was manifested by the decline in growth, savings, and investment rates. During the 1960's, the Gross Domestic Product (GDP) grew at a rate of almost 7 percent, but between 1969 and 1970 (which is generally regarded as the last normal year in terms of economic activity in United Pakistan) and between 1971 and 1972, the GDP grew at the paltry rate of 0.5 percent. From 1969 to 1970 the nation had saved 13.3 percent of its wealth. Those savings declined to 8.4 percent from 1971 to 1972. For the same period, investment rates in the private sector declined from 8.5 percent to 5.4 percent.³⁹³

Bhutto's public pronouncements were radical, showed strains of anti-capitalism and a preference for a socialist pattern of economic development. Bhutto and his associates showed a preference for a "mixed economy." The 1970 election manifesto of the PPP defined this to mean:

the existence of a private sector alongside a nationalized sector. However, it is within the public sector that all the major sources of the production of wealth will be placed. The private sector will offer opportunities for individual initiative in the areas of production. Where small enterprise can be efficient, monopoly conditions will be abolished so that private enterprise will function according to the rules of competition.³⁹⁴

The PPP clearly sought a redirection of Pakistan's economy within the existing broad capitalist framework. Emphasis was on expanding the public sector, curbing monopoly conditions, and encouraging small enterprise. The individual and private initiatives were not to be discouraged, but redirected.

On assuming power as President and chief martial law administrator, he pointed out that reform was needed in almost every aspect of life in Pakistan. He asserted, "fundamentally it is the economic system that requires change and adjustment. We intend to put the social and economic system right."³⁹⁵ In Bhutto's perception, this meant curbing the power of the financial-industrial groups, enhancing the public sector, and promoting welfare policies for the less privileged groups and classes in the society. To ensure the public good, Bhutto believed that the use of "state power" was justified. His adversaries felt that the "public good" was a facade and that, in reality, Bhutto aimed to impose his personal hegemony.³⁹⁶ Perceptions aside, Bhutto had concrete views on the kind of mixed economy he envisaged for Pakistan. Addressing members of the Lahore Chamber of Commerce on April 1, 1973, Bhutto explicitly outlined the parameters of his socioeconomic reform.

³⁹³ Burki, *op.cit.*, p. 110.

³⁹⁴ Election Manifesto of the Pakistan Peoples Party, 1970 (Lahore: Classic, 1970), p. 18.

³⁹⁵ Bhutto, *Speeches and Statements, December 20, 1972–March 31, 1972*, p. 10.

³⁹⁶ Asghar Khan, *op.cit.*, pp. 53–56.

The concept of mixed economy, aside from connoting an order wherein public and private sectors coexist, also signifies the deliberate use of state power for limiting the economic advantage of the more privileged classes in the interests of the people's welfare. The activity of the public sector prevents the concentration of economic power in a few hands and protects the small and medium entrepreneurs from the clutches of giant enterprises and vested interests ... public and private sectors are two important instruments of socioeconomic development and they will have to function side-by-side for achieving a higher rate of economic growth and establishing a welfare state.³⁹⁷

He was quick to differentiate "welfare state" from "totalitarian state." "We do not believe in absolute state power manifesting itself in a totally nationalized, centralized and directed economy." Then he proceeded to explain how he intended to transform Pakistan into a "welfare state."

One of the primary objectives of a modern state is to provide for the social welfare of its people. Our problem is not only to bring about a significant improvement in the level of living conditions of the people at large, but also to ensure progressive reduction in existing social and economic inequalities. It was once believed that adherence to the economic philosophy of "laissez-faire" would result in sustained economic growth as well as welfare, but ample experience indeed, the whole course of economic development-throughout the world in this age has proved beyond doubt that "laissez-faire" society can neither guarantee stable economic progress nor usher in a welfare state. Private enterprise is primarily propelled by consideration of profit maximization. Whether any welfare of the people results from it is a matter of chance. But planned state intervention bridges this gap between private profit and social welfare and ensures a reconciliation of objectives of private enterprise with the public interest.

My government is committed to eliminating the concentration of economic power in order that no entrepreneur or group of entrepreneurs should obtain control of strategic heights of the economy and use this dominant position against the public interest.³⁹⁸

This clearly illustrated Bhutto's belief that, in order to create the kind of "welfare state" and "mixed economy" he envisioned, (1) it was imperative to curb the "economic power" of the financial-industrial groups, and (2) the public sector was to help not only

³⁹⁷ Zulfikar Ali Bhutto, *Speeches and Statements, April 2, 1973–August 13, 1973*, pp. 2–3.

³⁹⁸ *Ibid.*, *op.cit.*, p. 3.

to achieve this objective, but also to facilitate the growth of small and medium-sized entrepreneurs.

Evidently Bhutto propounded a developmental strategy that was radically different from the development policies of the earlier military regimes. The military regime under Field Marshal Ayub Khan had promoted the principle of "functional inequality" and had contended that for initial capitalist growth, capital formation and savings, social inequality was necessary.³⁹⁹ For Bhutto, economic growth without social improvement was meaningless. Obviously, he sought a shift in the existing policies. Bhutto's development strategy had such multiple goals: the reduction of socioeconomic inequalities, generation of economic growth by expanding the public sector, and encouraging small entrepreneurs. There was one common theme in Ayub's and Bhutto's developmental policies; both used "state power" to reward and control various groups. The fundamental difference was that the regime under Ayub used state power to consolidate the financial-industrial groups and promoted the concentration of wealth, while the regime under Bhutto sought to use state power to curb the concentration of wealth, enhance the public sector, and promote small and medium-sized entrepreneurs.⁴⁰⁰ To what degree did Bhutto make a genuine effort to achieve his stated goals? What kind of policies did he institute? What kind of obstacles was he confronted with? These questions will be analyzed in the following discussion.

To give meaning and substance to his vision of optimal "mixed economy" and to develop the contours of a welfare state, Bhutto began by redefining the relationship of the financial-industrial groups to the government in the national economy of Pakistan. From Bhutto's policy and public pronouncements, it appears he was convinced that without curbing the financial-industrial groups, redirecting Pakistan's economy would be impossible. In this belief, Bhutto was heavily influenced by the socialist factions within the PPP. In fact, it would have been impossible for Bhutto to initiate socioeconomic reform without the presence and active support of the PPP socialists. Dr. Mubashir Hasan, J. A. Rahim, Sheikh Mohammad Rashid were the leaders who became influential in the policy-making process as the PPP assumed power. These PPP socialists, despite their personal-cum-ideological differences, showed a preference for restricting the powers of the financial-industrial groups, attempted to break their connections with the bureaucratic-military elites, and ventured to consolidate the public sector. During the early phase of Bhutto's rule (1971–1973), these socialists dominated the ministries of finance, economic planning, production, establishment, and health and social welfare. Thus, the reformist policies that emerged during this period carried the imprint of these leaders.

Economic Power of the Financial-Industrial Groups

³⁹⁹ Angus Maddison, *Class Structure and Economic Growth: India and Pakistan since Moghuls* (New York: W. W. Norton Co., 1971), pp. 136–142.

⁴⁰⁰ Burki, *op.cit.*, pp. 42–45, 109–112.

Concentration of economic wealth in the hands of a few groups or families is a common phenomenon in a number of developing countries. What is remarkable about Pakistan is that this concentration of wealth in the hands of a few occurred in the relatively short span of 15 to 20 years (see Table 2.6 in Chapter 2). In India the formation and development of such groups took 30 to 40 years. Given this relatively short span of time, the concentration of economic wealth in a few hands became highly visible. Within one generation the life style, consumption patterns, and behavior of these newly rich groups changed remarkably.⁴⁰¹ This evoked considerable public outcry in the late 1960s (Chapter 2).

In April 1968, Mahboob-ul-Haq, Chief Economist, Planning Commission of Pakistan, revealed in a speech that 22 families in Pakistan owned 87 percent of the banking and insurance companies and 66 percent of industry. Since this revelation, several attempts have been made to measure the level of concentration of ownership and control of industrial and financial assets in Pakistan (see Table 5.2).

Table 5.2 Economic Power of the Financial-Industrial Groups in Pakistan			
Study	Number of Groups or Industrial Houses	Assets & Industrial Manufacturing	Banking, Insurance
Haq	22	66%	87
White	43	53.10%	
Amjad	44	70%	80

Source: Lawrence J. White, *Industrial Concentration and Economic Power in Pakistan* (Princeton: Princeton University Press, 1974), pp. 60-61; Rashid Amjad, *Industrial Concentration and Economic Power in Pakistan* (Lahore: South Asia Institute, 1974), pp. 22-23,34; Haq, cited in Amjad, p. 22.

⁴⁰¹ Burki, *op.cit.*, pp. 112-113.

Table 5.3 Loss of Assets by Industrial Houses in East Pakistan (Bangladesh)		
Industrial Groups or Houses	Values of Net Assets (Rupees, Millions)	% of Total Manufacturing Assets Owned
Isphani	88.4	100
Bawa	23.4	100
A. K. Khan*	50	100
Abbas Khaleeli	114.8	98
Maula Bux	58.9	68.1
Haji Dost	16.7	65.4
Karim	45.6	60
Adamjee	152.9	52.7
Dawood	182.4	46.3
Amins	61.8	45.2
Nishat	38.3	41.3
Bawany	67.8	37.1
Monnoo	25	35.7
Hafiz	52.7	30
Rahimtoola	5.1	27
Source: Rashid Amjad, <i>Industrial Concentration and Economic Power in Pakistan</i> (Lahore: South Asia Institute, 1974), p. 2.		
Note: * East Pakistan-based industrialists.		

Lawrence White, an American Economist, using the listings on the Karachi Stock Exchange in 1968, found that 43 financial-industrial groups or families owned 53 percent of the country's total assets in the manufacturing sector.⁴⁰² These groups controlled 98 percent of the 197 non-financial companies listed on the Karachi Stock Exchange in 1968. White noted that the top four financial-industrial groups or families, Dawood, Saigol,

⁴⁰² Lawrence J. White, *Industrial Concentration and Economic Power in Pakistan* (Princeton: Princeton University Press, 1976), p. 52.

Criteria	MLR 64	MLR 115
<i>Basis of holding</i>	<i>Head of family</i>	<i>Individual</i>
Ceiling ownership	500 acres irrigated, 1,000 unirrigated land or 36,000 produce index units	150 acres irrigated or 300 acres unirrigated land or 12,000 product index units
Exemptions, exclusions, etc.	Studs, livestock, farms, orchards exempted. No specific provision for resumption of land acquired by government servants.	No exemptions. Placed a limit of 100 acres on lands acquired by government servants. The rest to be resumed.
	No provisions made for cancelation of border land allocated to military officers in exchange for inland areas.	Exchange of border land for inner land to be cancelled.
Redistribution and implementation	Compensation to be paid for the land resumed.	No compensation.
	Landlord had the choice to decide which part of land would be surrendered.	Same as MLR 64.
		No court was to take cognizance of an offense under MLR 115 except on complaint in writing made by order of or under authority from the Federal Land Commission.
	Implementation left to Revenue Department Beneficiaries to pay for allotted land on installment basis; price not to exceed Rs. 8 P.I.U.	To oversee the Revenue Department Federal Commission under chairmanship of a federal minister. Land to be distributed free.

Adamjee, and Amin, controlled 20 percent of the total assets. He concluded that, although concentration of wealth as high in Pakistan, it was not as high as Haq had claimed.⁴⁰³ White also found that the role of foreign capital was relatively small in Pakistan; it accounted for 12 percent of the manufacturing assets listed on the Karachi Stock Exchange and 7.4 percent of all manufacturing in Pakistan.⁴⁰⁴

Rashid Amjad, a Pakistani Economist, using the listings on the Karachi Stock Exchange in 1970, found that 41 groups controlled 80 percent of private domestic assets of both non-financial and manufacturing assets.⁴⁰⁵ If foreign companies and the government were included, the control declines to 50 percent of non-financial and 70 percent of all manufacturing assets. According to Amjad, the large-scale manufacturing sector was dominated by 44 industrial houses, which controlled 52 percent of all private domestic assets, and 37 percent of all assets if the government and foreign-owned companies were included.⁴⁰⁶ Amjad gives a somewhat different ordering of the top seven industrial groups than does White.

According to Amjad's ordering, seven houses-Saigol, Habib, Dawood, Crescent (Bashir), Adamjee, Colony (Shaikh), and Valika-controlled 22.2 percent of the private assets.⁴⁰⁷ In 1971, as Bhutto assumed power, the press reports suggested that the 22 richest families controlled 87 percent of Pakistan's insurance business, 80 percent of banking, and 66 percent of the country's industrial assets, and had large Swiss bank accounts.⁴⁰⁸

⁴⁰³ *Ibid.*, p. 59.

⁴⁰⁴ *Ibid.*, pp. 43–56.

⁴⁰⁵ *Ibid.*, p. 22.

⁴⁰⁶ *Ibid.*, p. 22.

⁴⁰⁷ *Ibid.*, p. 30.

⁴⁰⁸ *Kessings Contemporary Archives*, February 5–12, 1972, op.cit., p. 25–52.

The civil war, weakening of the military-bureaucratic elites, and the loss of East Pakistan had demoralized the financial-industrial groups, but they still dominated the economy. Some of these groups were adversely affected by the loss of East Pakistan and lost substantial assets. Of the 44 financial-industrial groups, only 16 had assets in East Pakistan. Of these 16, only one, A. K. Khan, was East Pakistan-based, while all Isphani investment was in East Pakistan; the rest had their assets in both East and West Pakistan. The Isphani lost all their assets, while Dawood, Adamjee, Khalelli, Bawany, and Amins suffered most.⁴⁰⁹

These conditions have produced radical and non-radical scholarly interpretations as to how Bhutto may have proceeded to redefine the role of the financial-industrial groups in the national economy.⁴¹⁰ Radical interpretations underscore the "disarray of ruling classes" in Pakistan as Bhutto assumed power. Given this "disarray," these scholars argue that Bhutto could have proceeded to restructure the existing social-economic order. Non-radical interpretations note that in his reformist policies Bhutto went too far and too fast and antagonized the powerful groups. In my view, both the radical and non-radical interpretations underestimate the capacity and power of the resistance groups. The process of reform and resistance considerably influenced the formulation and outcomes of the policies. To comprehend the opportunities and constraints of reform in a transitional society like Pakistan, I shall attempt to bring into focus the interplay of forces that advocated reform and those that resisted it.

Nationalizations and Their Effects on the Financial-Industrial Groups

Analyzing the process and patterns of public policy in the United States, Lowi has insightfully remarked,

Policies determine politics". A policy, according to Lowi, is defined ... in terms of its impact or expected impact on the society. In politics, expectations are determined by governmental output or policies. Therefore, a political relationship is determined by the type of policy at stake, so that for every type of policy there is likely to be a distinctive type of political relationship.

If power is defined as a share in the making of policy, or authoritative allocations, then the political relationship in question is a power, over time, a power structure.⁴¹¹

This is a useful framework for analyzing the policies of reform that emerged under Bhutto. Since his reform entailed a redistribution of power relationships, Bhutto's

⁴⁰⁹ Amjad, *op.cit.*, p. 51.

⁴¹⁰ See Gardezi *op.cit.*, pp. 8–10; Burki *op.cit.*, pp. 16–20.

⁴¹¹ Theodore J. Lowi, "American Business, Public Policy Case Studies and Political Theory," *World Politics*, Vol. VI, No. 4 (July 1966), p. 688.

preoccupation was to identify what Lowi has termed "arenas of power" and then to institute policies that would redefine the patterns of relationship between the bureaucratic-military elites and the financial-industrial groups.⁴¹² As noted earlier under the military hegemonic system, the sources of patronage and policy making (both in the public and private sectors) were controlled, if not monopolized, by the bureaucratic military elites. These groups were well entrenched in the power structure. Bhutto attempted to initiate "regulatory" and "redistributive policies"; the regulatory policies were to curb the financial-industrial groups, while the redistributive policies aimed at expansion of the public sector and development of the small manufacturing sector.

Bhutto attempted to institute social oversight through the governmental mechanism. Adopting a Fabian strategy, he acted skillfully to change the uses of and rewards associated with each of the four major factors of production in the economy: capital, labor, land, and foreign exchange. The scope and the rate of the institution of these changes did bring about a change in the character of national production and the distribution of rewards associated with that production. The formulation and implementation of these policies produced a contradictory process.

In January 1972, Bhutto announced the nationalization of 10 basic industries: iron and steel, basic metals, heavy engineering, heavy electrical, motor vehicles, tractor plants, heavy and basic chemicals, cement, petrochemicals and gas and oil refineries. Nationalization affected 32 industrial units.⁴¹³ As a first step, the government took control of management, not ownership of these industries. Bhutto's rhetoric was high, but he also attempted to reassure the financial-industrial groups. He declared that the policy of nationalization was intended to put the people of Pakistan "in charge of their own industrial development. Following the "foot in the door" approach of the reformer, Bhutto asserted, "It is not the intention of the government to extend control over other categories of industries. We expect that, after these clear assurances, industries in other categories will maintain the norms of production and performance that government will prescribe."⁴¹⁴

Rhetoric aside, the policies of nationalization and economic reform were adopted with some degree of caution, but not with sufficient coordination and consensus among the various influential factions within the PPP. These policies were incremental and evolved over a period of two years. In January 1972, the heavy industries were nationalized, in March, the insurance companies (including an American insurance company), in 1973, the Vegetable Ghee (oil) industry and the cotton trade were nationalized, and in January 1974, all the Pakistani banks were nationalized. No other foreign investment was nationalized. The nationalization of heavy industry was

⁴¹² *Ibid*, pp. 689–690.

⁴¹³ Bhutto, *Speeches and Statements, December 20, 1972–March 31, 1972*, pp. 33–34.

⁴¹⁴ *Ibid.*, p. 34.

followed by an Economic Reform Order. The policy had three salient features. It aimed at (1) decentralization of wealth, by Implication including the financial-industrial groups, (2) reorganization of Industrial units, and (3) expansion and consolidation of the public sector.⁴¹⁵

To achieve these objectives the primary policy instrument was the abolition of the "managing agency system." Dr. Mubashir Hassan, explaining the nationalization policy and the economic reforms order, said that the managing agencies:

were one of the worst institutions of loot and plunder through which the cream of profit was skimmed by a handful of people who were able to control capital worth about Rs.50 to 60 crore with an investment of Rs.50,000 or so.⁴¹⁶

The "managing agency" system was the principal pillar of accumulation of wealth in a few hands in Pakistan. In 1961, the Ayub regime considered abolishing it but, on the advice of the bureaucracy and pressure from the financial-industrial groups, abandoned the idea. The system has its origins in 19th-century British India. Its outstanding feature was that the trading firm in India would undertake the actual management of industrial enterprises that were owned by the Europeans. So when new companies were formed by the foreign or local capitalists, they handed over actual management of the companies to an existing managing agency.⁴¹⁷ These managing agents, if they saw a chance of establishing a new industry or a new line of trade, would draw up a project and form a "directorate" that would raise the necessary capital. The articles of association could give enormous power to the director. Under the system, capital formation was easy, risk were minimal, and profits high. The established firms preferred to take a managing agency rather than invest and promote a new enterprise. Through such mechanisms of "promotion, finance and administration, a vast agglomeration of miscellaneous and unrelated enterprises could be "controlled by a single firm."⁴¹⁸

In Pakistan, the earlier civilian and military regimes provision of number of subsidies and protection for industrial development afforded the managing agents a golden opportunity for pooling the resources of the few and floating new companies in the stock exchange market. Thus, the entire control of joint stock companies rested in the hands of a few. The concentration of financial power gained momentum with industrial growth in the country because of the inherent tendency of the managing agency system to lead to concentration of power.

⁴¹⁵ *Pakistan Economic Survey 1973–74* (Islamabad: Finance Division, Government of Pakistan, 1974), p. 14.

⁴¹⁶ *The Pakistan Times*, January 20, 1972.

⁴¹⁷ *Pakistan Economist*, February 12, 1972, pp. 7–8.

⁴¹⁸ *Ibid.*

The abolition of the system struck at the very root's of power of the financial-industrial groups. J. A. Rahim, Dr. Mubashir Hasan, and the latter's small nucleus of left-oriented lawyers and economists were instrumental in formulating "the managing agency and election of directors trade 1972 order, "which ensured that the powers of the financial-industrial groups were effectively curbed."⁴¹⁹ This order affected 186 companies (158 companies of West Pakistan and 28 companies of East Pakistan, but mostly owned by the West Pakistan-based industrialists). Of these, 148 were managed by the managing agencies.⁴²⁰

For the management of nationalized industrial units, the regime replaced the Board of Directors and managing agents by appointing new managing directors. A Board of Industrial Management (BIM) was created under the chairmanship of the Federal Minister of Production, J. A. Rahim. By 1973 the industries taken over were regrouped and reorganized into 10 corporations.

1. State Heavy Engineering and Machine Tools Corporation (SGE and NTC);
2. Federal Chemical and Ceramics Corporation (FCC);
3. State Cement Corporation of Pakistan (SCCP);
4. State Electrical Corporation of Pakistan (SECP);
5. National Fertilizer Corporation of Pakistan (NFC);
6. National Design and Industrial Services Corporation (NDISC);
7. State Petroleum, Refining and Petrochemicals Corporation (SPRPC);
8. Pakistan Automobile Corporation (PAC);
9. Federal Light Engineering Corporation (FLEC);
10. Mineral Development Corporation (MDC).

Thus a foundation was laid for the development of a public sector. The PPP's policies of nationalization and economic reform, preceded by the loss of assets with the disintegration of Pakistan, further shook the confidence of the financial-industrial groups. Bhutto's nationalizations and economic reforms, although not apparently directed at any particular industrial house or family, adversely affected two groups, BECO and Rangoonwala, which lost almost their total assets. Saigol, Habib, Amin, and Fancy also suffered heavy losses.⁴²¹

These nationalizations did loosen the pattern of concentration of wealth. According to Amjad, the control of assets of the large manufacturing sector dropped from 41.7 percent for the top 41 industrial houses to 31 percent for 39 industrial houses. The share

⁴¹⁹ Burki, *op.cit.*, p. 114; Taseer *op.cit.*, p. 93.

⁴²⁰ For details on companies and managing agents affected by the abolition order, see *Pakistan Economist*, March 18, 1972, pp. 32–36.

⁴²¹ Amjad., *op.cit.*, p. 53.

of the top 10 industrial houses dropped from 24.8 percent to 18.2 percent. This suggested that the financial-industrial groups were weakened, not destroyed.⁴²²

The top 39 industrial houses continued to control 40 percent of the private assets and over 45 percent of the private domestic assets. The nationalizations also brought minor changes in the position of some of the industrial houses, as shown in Table 5.5. In the post-nationalization period, Dawood, Saigol, Crescent, Hoti and Adamjee emerged as the top five industrial houses.⁴²³

Evidently, Bhutto's nationalizations did not diminish the power of the financial-industrial groups in Pakistan's economy. However, the regime did make a beginning in guiding the public sector. As heavy industry was one sector in which the private sector was not well entrenched, the PPP regime could move swiftly to expand the public sector. By nationalizing heavy industry, Bhutto, in a way, did Jawahar Lai Nehru had done for India in the 1950's, i.e., laid the foundation for a strong public sector.⁴²⁴

The financial-industrial groups retained their dominance in Pakistan's economy because most of their assets were in the textile and sugar industries. The categories of industries that were nationalized constituted only 18 percent of the country's large-scale manufacturing and employed only 3.4 percent of the total labour force. Its contribution to exports was only 8.3 percent of the total. The relatively small size of this sector did not justify the rhetoric that accompanied nationalizations, nor could the private sector be blamed for the income inequalities. However, the important element was not the size of the sector but the fact that the regime's nationalization policies had not only struck at the very source of their power but had shaken their confidence. Later, the financial-industrial groups were quick to organize and make concerted efforts to resist Bhutto's reformation.

⁴²² *Ibid.*, p. 56.

⁴²³ *Ibid.*, p. 53.

⁴²⁴ For Nehru's role in developing the public sector in India, see Francine Frankel, *India's Political Economy 1947–1977* (Princeton University Press, 1978).

	Pre-Nationalization	Post-Nationalization		
House	Position	Net Assets	Net Assets	Position
Saigol	1	529.8	165.3	3
Habib	2	228	68.8(a)	11
Dawood	3	210.8	867.5(b)	1
Crescent	4	201.7	201.7	2
Adamjee	5	201.3	146.3	5
Colony (N)	6	189.7	95.8	6
Valika	7	183.5	62.2	12
Hoti	8	148.6	148.6	4
Amins	9	137.9	137.9	—
WazirAli	10	102.6	87.7	—
Fancy	11	192.4	—	—
Beco	12	101.4	—	—
Hussain	13	81.7	81.7	9
Colony (F)	14	89.9	19.8	—
Chandara	15	79.9	25.8	—
Hyesons	16	79.4	83.5(c)	8
Zafar-ul- Ahsan	17	77.2	22.1	—
Bawany	18	69.3	69.3	10
Premier	19	56.1	56.1	13
Nishat	20	54.1	54.3	14
Gul Ahmed	21	52.3	52.3	15
Arag	22	50.1	50.1	16
Rahimtoola	23	49.9	49.9	17
Noon	24	48.8	48.8	18
Shahnawaz	25	46	46	19
Monnoo	26	45	45	20

Notes:
a Includes non-manufacturing, banking, and insurance.
b Includes Dawood-Hercules (1971).
c Includes Hyesons Sugar Mills (1974).

If, on the one hand, Bhutto's effort was to redefine the regime's relationship with the financial-industrial groups, on the other, his problem was how to placate industrial labor, which was an important PPP constituency.

The readiness with which industrial labor had accepted the PPP's leadership indicated its ideological and organizational weakness. The successive regime in Pakistan have attempted to control labor through two methods, namely, state coercion and legislative ordinances. Bhutto added a third method i.e., providing material rewards. Besides governmental suppression, labor in Pakistan has been plagued with ethnic, religions

and ideological cleavages.⁴²⁵ Under the Ayub regime through a presidential ordinance (1963), union activity was banned and labour's right to strike was suspended.

The Yahya regime was quick to recognize the grievances of labor and adopted a more sympathetic attitude toward labor. The Industrial Relations Ordinance (IRO) of 1969, issued by the department of labor:

[These] by and large first generation industrialists have failed to realize the contributions which a contented and well-motivated worker can make to productivity and profitability. They have looked upon trade unions as instruments of extortion rather than as institutions through which mutual give and take can lead to a peaceful resolution of conflict & possible higher productivity.⁴²⁶

The Yahya regime's sympathetic attitude toward labor and Bhutto's emphasis on Roti, Kapra, aur Makan (bread, clothing and shelter) emboldened labor, and they voted for the PPP in the 1970 elections. Thus, as Bhutto assumed power in 1971, labor was not only mobilized but intensely militant and expectant of favorable change. They believed their "Raj" (Rule) was in the offing, and Bhutto's rhetoric roused these expectations.

On assuming power, at one end of the spectrum, Bhutto found the financial-industrial groups skeptical about his reformist policies and, at the other end, labor impatient for change. The Gheraos (lock out of the employers by the employees) continued and, in some instances, physical violence against the managers was reported.⁴²⁷ Bhutto's problem was how to reconcile the interests of highly skeptical financial-industrial groups and highly politicized, militant, but weakly-organized industrial labor. As noted earlier, labor was an important component of the coalition that had brought Bhutto to power.⁴²⁸

It was under these circumstances that Bhutto announced his labor policy in February 1972. Given the high expectations and militancy of labor, Bhutto's policy statement was a combination of carrot and stick. While the policy provided a number of monetary and non-monetary rewards for labor, Bhutto was clearly concerned with introducing discipline to labor. He warned: "I want to make it clear that strength of the street will be met by the strength of the state." He advised labor to stop Gheraos and Jalaos (burning of property).

⁴²⁵ Azfar A. Shaheed, "Role of the Government in the Development of Labor Movement," in Hassan Gardezi and Jamil Rashid eds), *Pakistan, The Roots of Dictatorship* (London: Zed Press, 1983), pp. 271–277.

⁴²⁶ Cited in Shaheed, *op.cit.*, p. 279.

⁴²⁷ Adams and Iqbal, *op.cit.*, pp. 190–192.

⁴²⁸ W. Eric Gustafson, "Economic Reforms under the Bhutto Regime," in J. Korson (ed.), *Contemporary Problems of Pakistan* (Leiden: E. J. Brill, 1974), p. 86.

This unruly and rowdy practice, negative in its purpose, anarchistic in its approach, nihilist in its results, has been endured regrettably by the government and the people for ever seven weeks. The object of this exercise in patience was to show the people, and indeed even the participants, that this simply is not the proper form of protest or ventilation of grievances. It is a self-destructive procedure It must stop It is in their interest and in the interest of the rest of the people to put an end to this lawlessness.⁴²⁹

The labor policy evolved gradually in three phases. The first phase was between February and May 1972 and provided for a number of statutory and monetary benefits. The second phase was between October and November of 1972 and improved upon the existing compensation and welfare provisions. The final phase came in 1975 when the Labor Law Ordinance (amendment) provided for a number of measures to check the proliferation of trade unions and gave protection to the office-holders of the trade unions against victimization. The salient features of the policy can be summarized as follows:⁴³⁰

1. Guaranteed labor's right to form associations for collective bargaining.
2. Recognized labor's fundamental right to strike. Encouraged labor and management to seek adjudication of disputes in the labor court.
3. Provided for the participation of workers in the management of industry.
4. Ensured material benefits. Raised the profit share for workers from 2 percent to 4 percent, and later to 5 percent. Payment of bonuses to labor was made compulsory. Provided compensation for injury, death. Streamlined pension rules and fixed a minimum wage scale. In addition, provided free medical treatment and education for the children of labor. Given the harsh treatment that labor had received in Pakistan, these labor reforms provided substantive statutory and material rewards. However, the policy did lead to serious implementation difficulties which were, in part, the product of Bhutto's political style and, in part, of the perceptions of labor, and the financial-industrial groups about the policy itself.

Bhutto's strategy was not only to ameliorate the conditions of industrial labor, but also to introduce discipline. It was manifested through a combination of coercion and material rewards. The labor policy evoked different responses from industrial labor and the financial-industrial groups.

⁴²⁹ Bhutto, *Speeches and Statements, December 20, 1971–March 31, 1972*, p. 79.

⁴³⁰ *Pakistan Economic Survey 1973–1974*, pp. 10–12.

The former's level of expectations was so high that they found the labor reforms insufficient and, to press for more concessions, resorted to violence. The latter not only found the labor policy pro-labor, but also believed that Bhutto was a rabble-rouser who was out to destroy the business groups. Although the financial-industrial groups were far from united in putting up an inherent resistance policy toward the PPP regime, they were, however, quick to reactivate the All Pakistan Textile Mills Association (AMPTMA), an association of the textile mill owners.⁴³¹

The policy choice reflected the reformer's problem: the financial-industrial groups perceived Bhutto as inimical to their interests, while labor's perception was that Bhutto had betrayed its cause. This was complicated by dissension within the various socialist factions of the PPP. It was under these circumstances that erupted the labor crisis of May–June 1972.⁴³² Other than these perceptions, what precisely caused labor's unrest is hard to determine. Bhutto's own love for radical rhetoric may have triggered the industrial unrest. Declaring May Day a national holiday, Bhutto exalted labor:

Your government, which has come to power through your own votes, gives the highest importance to the well-being of the working class. The workers and peasants are the backbone of the nation; they are the foundation head of all power and all good. The labor reforms have been introduced to allow the working class to get on its feet. It is a first step and if there are any shortcomings in the new labor laws which come to light during their application, they will be modified.⁴³³

This exaltation and the promise that the labor reforms could be "modified" may have prompted labor to launch a major Gherao campaign against the industrialists and managers. Perhaps believing that the regime desired to improve the conditions of the working class even further, labor launched a movement against the industrialists and industrial property, hoping to extract greater concessions from the regime. In Karachi, where more than 40 percent of Pakistan's textile industry is concentrated, militant labor's attacks on private property were so violent that they sent shock waves not only among the financial-industrial groups, but also among the various conservative groups who were represented by the Islam Passand Parties.⁴³⁴ It even alarmed the feudals and moderate supporters of the PPP.

The militancy of labor, coupled with the resentment of the conservative elements in the society, evoked an authoritarian response from a regime that was professedly sympathetic towards labor. Given the organizational weaknesses, ideological and ethnic cleavages, and the tradition of pocket unions in the labor movement, the PPP regime

⁴³¹ *Pakistan Economist*, February 5, 1972, p. 24.

⁴³² *Ibid.*, July 29, 1972, see discussion on labor, pp. 10–13.

⁴³³ Bhutto, *Speeches and Statements, April 1, 1972–June 30, 1972*, p. 81.

⁴³⁴ Sayeed *op.cit.*, pp. 100–102.

came to believe that the financial-industrial groups and the Islam Passand Parties were encouraging labor unrest.⁴³⁵ The PPP leadership was divided on how to deal with labor. Dr. Mubashir Hasan and Sheikh Mohammad Rashid urged labor to refrain from violence, but they vociferously attacked the financial-industrial groups for exacerbating tensions.⁴³⁶ The radicals, like Miraj Mohammad Khan, whose primary support base was the Karachi industrial labor, sympathized with labor's agitation. Bhutto charged that communists were misleading labor and used force to quell labor unrest.⁴³⁷ Such charges and the authoritarian approach estranged Miraj Mohammad Khan from Bhutto and the PPP, and he resigned from the post of Minister of State for Public Affairs (one he had held from May to October 1972). By October 1972, through welfare legislation and the use of "strength of the state," labor unrest was subdued. Although between 1973 and 1975 sporadic labor protests surfaced, in general, the material rewards ameliorated the condition of the labor. Wage and welfare increases did provide some relief to labor, but production did not increase, and investments in the private sector declined further. Besides the crisis of production and decline in private sector investment, the Bhutto regime was confronted with massive unemployment. According to official estimates, during 1972 and 1973 the labor force was increasing at a rate of 3 percent per year, about 600,000 people entering with the labor force each year. The unemployment rate stood at 13 percent. In the urban areas it was as high as 17.7 percent, whereas in the rural areas the rate may have disguised, as a large percentage of the population may have shown itself as ("self-employed").⁴³⁸ To resolve the unemployment situation, Bhutto adopted a direct strategy. Two policy initiatives were taken. First, as noted earlier, the public sector was expanded. Second, and more significant, a "labor exchange" program was developed with Middle Eastern countries, through which the surplus work force was encouraged to seek employment in these countries.⁴³⁹ According to an official publication, the number of employees in the public sector industries increased from 40,817 in 1972-1973 to 57,827 in 1976-1977, an increase of 41 percent. Furthermore, to absorb the educated unemployed (which again was an important PPP constituency), two organizations, the National Development Volunteer Corps (NDVC) and the National Development Corporation (NDC), were created. These two organizations absorbed about 215,000 people.⁴⁴⁰ However, the most effective employment policy was the "labor exchange" program. Burki has estimated that in 1978 about 600,000 Pakistani workers were in the Middle East contributing about \$1 million

⁴³⁵ *Imroze*, Lahore, October, 25, 1972.

⁴³⁶ See, for example, the statements of the PPP leaders on the labor crisis appearing in *Imroze*, October 19-26, 1972.

⁴³⁷ For Bhutto's statement See, *Imroze*, October 25, 1972.

⁴³⁸ *Pakistan Economic Survey 1976-1977*, pp. 4-5.87.

⁴³⁹ Shahid Javed Burki, "Employment Strategies for Economic Stability in Pakistan: New Initiatives," in Manzooruddin Ahmed (ed.), *Contemporary Pakistan: Politics, Economy, Society* (Islamabad: Government of Pakistan, 1977), p. 27.

⁴⁴⁰ Pakistan Information and Broadcasting Division, *Promises and Performance* (Islamabad: Government of Pakistan, 1977), p. 27.

annually (currently over \$2 billion annually) to the national exchequer.⁴⁴¹ These statistics show that unemployment pressure was reduced, but this contributed little to boosting industrial production. Nevertheless, foreign exchange earnings from these remittances showed an upward trend.

Labor Policy, Unrest, and the Financial-Industrial Groups

The financial-industrial groups, faced with the loss of assets, nationalization, pro-labor policy, labor unrest, and the regime's persistent radical rhetoric, gradually began to organize resistance. In February 1972, the APTMA was reactivated. Despite Bhutto's pleas for cooperation and repeated assurances of no further nationalizations, these groups remained skeptical.⁴⁴² Bhutto could not win their confidence. The sources of this creditability gap ... deep and mutual, and can be catalogued as follows:

1. The financial-industrial groups perceived Bhutto as a "rabble rouser" and "instigator of industrial unrest."
2. They believed that in the name of socioeconomic reform Bhutto was pampering labor and undermining the position of industrialists.
3. The financial-industrial groups also distrusted the presence and influence of the PPP socialists in the policy-making process of the regime.
4. Like some of the other privileged groups and classes, the financial-industrial groups found Bhutto's popularity and support among the masses of Pakistan irksome. Most of all they resented his anti-business rhetoric and populist slogans.

The financial-industrial groups distrusted Bhutto for his feudal social class origins who, besides drawing popular support, could extract support from this socioeconomic power base and challenge and curb their powers. In institutional terms, the financial-industrial groups showed greater confidence in the military bureaucratic elites and accepted them as patrons more readily than they accepted civilian political leaders, who invariably had feudal social class origins. What may have been a factor, however, was that Bhutto's ideas about and attitudes towards the financial-industrial groups were formulated during the Ayub years, when he was the minister of commerce and trade (1959–1961) and had seen firsthand how different industrial groups accumulated wealth in Pakistan through the military-bureaucratic patronage. In an interview with *Newsweek* in 1972, Bhutto said, "Our businessmen are not the real entrepreneurs who make the system of free enterprise work ... our entrepreneurs take no risks at all. He is terribly chicken-hearted and makes no real contribution." Explaining the system of permits, licenses, and

⁴⁴¹ Burki "Employment Strategics ..." *op.cit.*, p. 193.

⁴⁴² *Pakistan Economist*, February 5, 1972, p. 26.

patronage, Bhutto went on: "here what our businessmen have done is that they have really put in state money and they have become the managers and owners."⁴⁴³ Bhutto asserted that he did not want to deny a role to business, but insisted they be more forthright.

Such a perception about the financial-industrial groups was also shared and advocated by the socialist factions within the PPP. In addition, the Pakistani masses (given the politicization of the late 60s) had also come to believe that the financial-industrial groups were not only exploiters, but they had accumulated vast wealth through inappropriate means. These perceptions coupled with Bhutto's reformism, deepened the antagonism between Bhutto and the financial-industrial groups.

It was under conditions of mutual suspicion that, in May 1972, the PPP regime decided to radically devalue the Pakistani rupee by 130 percent.⁴⁴⁴ The devaluation was long overdue, but a devaluation on such a large-scale was brought about under pressure from the IMF, which also persuaded the PPP regime to lift import restrictions on more than 300 commodities. This decision was not well received by the financial-industrial groups because it affected their investment opportunities and constrained their capacity to import machinery, particularly textile machinery.⁴⁴⁵ The devaluation decision was one of the most far-reaching decisions of the Bhutto regime.⁴⁴⁶

This clearly suggested a shift in policy preference from import substitution to export expansion-particularly in the agricultural sector. It also indicated that the regime aimed to curb bureaucratic patronage and control and desired to create favorable conditions for the "feudals" who were an important component of the PPP-led coalition. The agricultural sector could direct surplus produce to export and from those earnings could invest in the mechanization of agriculture. Denied patronage, protection, and subsidies, the financial-industrial groups grew hostile towards the regime. The devaluation proved beneficial to the feudals and mediumsized landowners, but unfavorable for the financial-industrial groups particularly the textile industrialists.⁴⁴⁷ Earlier, in March 1972, the regime had appointed a 23 member committee under the chairmanship of a Member of the National Assembly (MNA) to review the conditions of the textile production and cotton trade. The committee did not have any member from the APTMA or Karachi Cotton Association. The textile industrialists rightfully claimed that the committee was unrepresentative.⁴⁴⁸ Between March and June 1972,

⁴⁴³ Full text of interview is reproduced in Bhutto, *Speeches and Statements, October 1, 1972– December 31, 1972*, p. 196.

⁴⁴⁴ Aijaz Ahmed, "Democracy and Dictatorship," in Gardezi and Rashid, et al., p. 101. Burki *Pakistan Under ... op.cit.*, p. 11, estimates devaluation of rupee by 57 percent.

⁴⁴⁵ Adams and Iqbal, *op.cit.*, pp. 187–188.

⁴⁴⁶ S. M. Naseem, *Underdevelopment, Poverty and Inequality in Pakistan* (Lahore: Vanguard Publications, 1981), pp. 300–301.

⁴⁴⁷ Adams and Iqbal, *op.cit.*, p. 187; Burki *op.cit.*, pp. 155–156.

⁴⁴⁸ *Pakistan Economist*, March 11, 1972, p. 1.

there was a serious debate among the PPP socialists, Bhutto, and the bureaucracy as to whether nationalize the textile industry.⁴⁴⁹ In general, J. A. Rahim, Sh. Mohammad Rahid and Khursheed Hasan Meer favored the policy of nationalization; Dr. Mubashir Hasan emerged as the strongest advocate for nationalization of the textile industry. Among the bureaucrats, the Deputy Chairman of the Planning Commission, Qamar-ul-Islam, and the Governor of the State Bank, Ghulam Ishaque Khan (President of Pakistan 1988–1993), advised Bhutto to go slowly with nationalizations. The latter publicly differed with Dr. Mubashir Hasan on a number of policy issues. Later in the year, the two PPP pragmatists, Abdul Hafeez Pirzada and Maulana Kausar Niazi (Minister for Education, Law and Parliamentary Affairs, and Information and Broadcasting, respectively) and also favored a slow pace in nationalization, advised Bhutto to proceed slowly.⁴⁵⁰ Bhutto decided not to nationalize the textile industry. This suggests that Bhutto's Fabian strategy of gradualism was not merely a matter of preference alone, but that factionalism within the party was also an important contributor toward piecemeal reform.

The June 1972 budget also came as a shock to the financial-industrial groups. The budget (1) abolished the tax holiday scheme for industry, (2) made no compensation for industrial assets lost in East Pakistan or owing to nationalizations, and (3) abolished the distinction between registered and unregistered firms and treated assessment of income tax on partnership firms as one individual.⁴⁵¹ Besides these anti-business provisions, the budget had positive aspects: It was welfare-oriented proposed equitable allocation of resources to different provinces, and placed emphasis on the public sector.

Big business responded to the budget with non-cooperation; the trader-merchants and small business groups resorted to direct action. Finance Minister Dr. Mubashir Hasan declined to meet, or discuss the matter, with a delegation of the financial-industrial groups. Trader-merchants and small business groups saw the abolition of the distinction between registered and unregistered firms as a threat to their survival. The financial-industrial groups, led by the Pakistan Federation of Chairmen of Commerce and Industry (PFCCI), decided to issue a series of appeals to the government before embarking on a total strike. This had the desired effect. Bhutto personally intervened and withdrew the most unacceptable provision of the budget: The traditional distinction between registered and unregistered firms was retained. Encouraged by the favorable response from Bhutto on the budget, the financial-industrial groups gained confidence.

Between June and October of 1972, the financial-industrial groups launched a mobilization effort to influence the PPP's economic reformism. First, the APTMA

⁴⁴⁹ Interview with a PPP leader.

⁴⁵⁰ Burki *op.cit.*, pp. 115–116.

⁴⁵¹ Ministry of Finance, *An Economic Analysis of the Central Budget for 1971–1972*, Pinal (Islamabad: Government of Pakistan, 1972).

launched a frontal attack in national newspapers on the PPP's rhetoric that followed its reforms. The APTMA charged that: "The sustained nihilist propaganda and preaching of class hatred seems to have official blessings as the T.V. and radio continue to portray employers as the sinners and the workers as innocent victims."⁴⁵²

It blamed the government for labor's undisciplined behavior and the decline in industrial production, and urged the government to enforce discipline. It issued appeals to the Chief Minister, Sindh, the Finance Minister, Minister of Commerce, Production and Information and Broadcasting, and the President to ensure industrial peace and stop "class hatred."⁴⁵³ Second, in a memorandum to the President, the Karachi Chamber of Commerce urged the government to (1) allow liberal import of industrial raw materials instead of consumer goods, (2) increase tax holidays for industry, (3) provide compensation for the loss of assets in East Pakistan, and (4) lower interest rates from 6 to 4 percent. Bhutto responded by promising no further nationalizations if the industrialists promised to cooperate with the regime. To ensure industrial peace he used force against labor.⁴⁵⁴

Bhutto's positive response to the budget protests, promises of no further nationalizations and suppression of labor improved relations between the PPP regime and the financial-industrial groups. They appeared content to have survived the reformist policies of the PPP. This accommodative relationship with the financial-industrial groups did not last long. By mid-1973 the enforcement of a permanent constitution provided some viable basis for political stability. But an increase in international oil prices, heavy floods, crop failures, and shortage of consumer goods strained business government relations. The regime began to believe that the financial-industrial groups were causing unnecessary shortages of consumer goods and were taking advantage of the domestic and international crises that the regime was finding difficult to manage.⁴⁵⁵ Apparently disappointed with the attitude of big-business, Bhutto decided to nationalize the Ghee (vegetable oil) industry, trade, cotton and rice during August and September of 1973.

These nationalizations had two effects. First, most of the Ghee industries nationalized were from Punjab (926 factories) and Sindh (14 factories), the primary support base of the PPP. Besides, these industries were owned by relatively medium-sized entrepreneurs, unlike the textile magnates. Second, it produced a credibility crisis between Bhutto and the financial-industrial groups. Big business lost faith in Bhutto.

⁴⁵² *Pakistan Economist*, August 5, 1972, p. 4.

⁴⁵³ During this period, Pakistan Television was showing such socially progressive dramas as "Khuda-ki-Basti," "Jazeera," "Alif-aur-Noon," which were perceived by big business as promoting "class hatred."

⁴⁵⁴ As a gesture of accommodation Bhutto appointed Rafiq Saigol as Chairman of the Pakistan International Airlines also used force against labor.

⁴⁵⁵ Burki, *op.cit.*, pp. 116–117; the Pakistan Economic Survey 1973–74 blamed the owners of the vegetable ghee industry for creating artificial shortages, p. 44.

The parting of the ways between the two became irreversible when, in January 1974, Bhutto announced the nationalization of Pakistani banks.

The nationalization of the banks emerged as a corollary of the nationalization of industry and labor and employment policies. Despite problems of credibility with the financial-industrial groups and factional infighting within the PPP, Bhutto honored his commitment to move Pakistan in a socialist direction and expanded the role of public sector in Pakistan's economy. The regime described nationalization of the banks as "an important step towards breaking the concentration of wealth and economic power." The intent was to use it as a "means to distribute more equitably the fruits of development."⁴⁵⁶ Credits and loans were to be made available to the medium-sized farmer and small entrepreneurs, with the hope of developing a small private sector.

Most of the 15 private commercial banks were either owned or controlled by the financial-industrial groups. Of these, the nine leading banks controlled 90 percent of the total assets of all the private commercial banks; eight of these were controlled by the major industrial houses.⁴⁵⁷ The three major banks in the country Habib, United and Muslim Commercial were controlled by three industrial groups, Habib, Saigol, and Adamjee. Before 1971, 84 percent of the investment in industry was financed by bank credit. With nationalization the regime could channel credit to the sectors of its choice and let the large industrial sector (in this case, the textile and sugar industries) languish for lack of money. In addition, the regime could freely use commercial credit for deficit financing.

Bhutto's regime did not make any systematic effort to facilitate the growth and expansion of the small and medium-sized industrialists, although in 1972 the State Bank of Pakistan had devised rules to provide credit and loans to small and medium-sized farmer, businessmen and industrialists. This, in some ways, did benefit the PPP urban-rural constituencies.

The nationalization of banks was used by the regime as a double-edged sword to expand the public sector and to regulate the private sector. Public investment in the industrial sector in 1971-72 was 7 percent of the total public investment; in 1976-77 it had reached 71 percent almost a 10-fold increase. During the same period, investments in the private sector declined from 93 percent to 29 percent (see Table 5.6).

The response of the financial-industrial groups to bank nationalization was one of dismay, withdrawal, and watchfulness. This response was not unanimous; some decided to wait for the regime to change, while others, such as the Saigol, Fancy and Haroon Groups, opened up joint ventures or businesses in the Middle East or the

⁴⁵⁶ Pakistan Economic Survey, 1973-74, p. 65.

⁴⁵⁷ Amjad, *op.cit.*, p. 34.

United State. Still other industrial families turned to real estate or returned to their "roots" in trade. In other words, the financial-industrial groups diversified their investments in areas which they thought were beyond the purview of nationalization. This led to the flight of the "capitalist" and the capital (precise figures are not available) and resulted in the decline of the private sector and of investments in the industrial sector.

Clearly, through nationalization policies, Bhutto succeeded in expanding the role of the public sector and restricting the opportunities for the growth of big business. His motive was not merely power and he made a concerted effort to institute socioeconomic reform, but underestimated the power of the resistance groups and failed to win their confidence. The most significant negative impact of these nationalizations was that, whereas they restricted growth opportunities for big business in Pakistan's economy, they provided them with new opportunities (by default) to initiate joint ventures with international business or to invest outside the country. This revealed the autonomy and power of the financial-industrial groups; they could choose to move out rather than yield to state power. These groups had developed linkages with international capital and, confronted with what they perceived to be a hostile regime, opted to invest outside.

Table 5.6 Private and Public Sector Industrial Investment (Millions of Rupees)				
<i>Year</i>	<i>Private</i>	<i>Public</i>	<i>Total</i>	<i>Public Investment as %</i>
1971-1972	1,235	99	1,334	7
1972-1973	1,018	111	1,130	10
1973-1974	1,023	391	1,414	28
1974-1975	1,437	1,065	2,502	43
1975-1976	1,818	3,182	5,000	64
1976-1977	1,795	4,315	6,110	71

Source: Pakistan Economic Survey, 1976-77 (Islamabad Government of Pakistan, Finance Division, 1977), p. 43.

An interesting, but probably unanticipated, consequence of bank nationalization was that it led to the monetization of the rural structure of Pakistan. According to an official publication, the credits and loans to farmers (the distinction between large, medium-sized and small landlords is not available) rose from 85 million rupees in 1971-1972 to 700 million rupees in 1976-77.⁴⁵⁸ In some marginal but significant ways, even the peasantry benefitted. Between 1973 and 1977, the number of commercial banks branches increased from 2,942 to 6,275. Almost 60 percent of these branches were

⁴⁵⁸ *Pakistan Economic Survey 1976-77*, pp. 190-192.

opened in rural areas.⁴⁵⁹ This encouraged peasants to seek loans from the bank instead of the landlord or the money-lender, the traditional source of loans in the villages. Second, the villagers also learned to open bank accounts as the remittances from the workers in the Middle East began to flow to their families.⁴⁶⁰ This inflow of money and the establishment of banks in rural areas began to disrupt the traditional social order, accelerating the transition to capitalism.

It is difficult to analyze the impact of nationalization policies on the small-scale sector. This sector did show dynamism in production and exports. (It seems that the expansion of this sector occurred, not by design, but probably by default). The primary industries in this sector were leather goods, footwear, sporting goods, carpets, textiles, and light engineering products.⁴⁶¹ Bhutto's regime did not make any systematic effort to favor this sector, except that it was instrumental in designing credit and loan policies for the small businessmen and industrialist in early 1972. Before the Bhutto regime, the role of this sector in the national economy was almost non-existent. What accounted for the dynamism of this sector?

A number of factors contributed to the development of this sector. First, Bhutto's preference for an egalitarian socioeconomic order and his bias against big businessmen and industrialists. Second, in its effort to curb the financial-industrial groups, the regime showed preference for relying on the market forces; this provided small business with an opportunity to take advantage of the market forces.⁴⁶² Big business, denied any protection or patronage, was unwilling to take risks or cooperate with the regime; this helped the small business groups to advance (e.g., leather goods, small textile industry). Finally, small enterprises did not need much capital or sophisticated technology, nor did they require a large labor force. Thus, Bhutto's efforts to restrict the financial-industrial groups, came as a blessing in disguise to the small sector (e.g., devaluation, budget, nationalization). Paradoxically, in this case the effect of Bhutto's socialism was capitalism, and private initiative grew rapidly under conducive market conditions.

Bhutto's policies provided conducive conditions for the growth of the small sector, yet he and his socialist associates failed to integrate the small industrialist/entrepreneur into their support base. They did not recognize either the economic importance of the small-scale textile producers or their potential political yield. Bhutto, in particular, was more concerned with reducing the power of financial-industrial groups rather than organizing these small-scale industrial entrepreneurial groups. In fact, little conscious effort was made to organize these interests. Had Bhutto paid adequate attention to party-building while pursuing socioeconomic reform, these groups could have been

⁴⁵⁹ *Promises and Performance*, p. 82.

⁴⁶⁰ *Ibid.*, p. 80.

⁴⁶¹ Adams and Iqbal, *op.cit.*, pp. 24–26, 205–206.

⁴⁶² *Ibid.*, pp. 185–186.

developed into an important support base for the PPP. Bhutto sought to increase personal autonomy in the party rather than organize various interest groups within it. Thus an opportunity of potential political support of these small to medium sized business groups was squandered. Bhutto's 1976 nationalizations alarmed the small industrialists and entrepreneurs. They were to play an active role in protesting against his regime.

In short, nationalization of industries, banks and labor, and employment policies did define the parameters of a mixed economy. But the results were mixed. While the regime succeeded in making the public sector an integral part of Pakistan's economy, it failed to persuade the financial-industrial groups to accept these parameters of rewards to the relatively weak segments of the society, e.g., industrial labor, the uneducated unemployed, the small businessmen and small industrialist but it failed to institutionalize those interests into a political force. The nationalizations contributed little to generating economic growth, and the production crisis persisted because "inexperienced functionaries" and an "inefficient bureaucracy" could not run the nationalized industries.⁴⁶³ But then, as Naqvi has remarked, "some inefficiency in the public sector has to be accepted as a price for securing more equity."⁴⁶⁴ During Bhutto's rule, industrial production remained low and bureaucratization and inefficiency increased; nevertheless, a shift in the allocation of resources did occur.

Policies of Agrarian Reform

The agrarian structure is another area that Bhutto ventured to reform. The social and economic significance of agriculture in Pakistan's economy can be understood by the fact that 70 percent of its population lives in the villages. Agriculture and related industries are the mainstay of the country's economy. During 1972–1973, agriculture contributed 36 percent to the GDP, accounted for 40 percent of the country's total earnings, and employed 50 percent of the civilian labor force.⁴⁶⁵ Statistics aside, at the core of agrarian relations in Pakistan are the highly skewed patterns of land ownership (see Chapter 2) and the feudal nature of the production relationship. This pattern of land ownership and feudalism had its origins in the land tenure laws the British created in India in the mid-19th century. With the enforcement of these laws emerged a process of dispossession of the peasantry and the concentration of land ownership, that is, the formation of a feudal class.⁴⁶⁶

Concentration of land in the hands of a few laid the basis for feudal production relations in the areas that constitute contemporary Pakistan. Ownership of land became

⁴⁶³ Asaf Hussain *op.cit.*, p. 109.

⁴⁶⁴ Syed Nawab Haider Naqvi and Khawaja Sarmad, *Pakistan's Economy through the Seventies* (Islamabad: Pakistan Institute of Development Economics, 1984), p. 49.

⁴⁶⁵ *Pakistan Economic Survey, 1972–1973*.

⁴⁶⁶ Naveed Hamid, "Dispossession and Differentiation of the Peasantry in the Punjab during Colonial Rule," *The Journal of Peasant Studies*, Vol. 10, No. 1 (October 1982), pp. 52–56.

a symbol of prestige, and a landlord's power and influence were to be measured in terms of how much land he owned. The land-owning classes became "awesome" and acquired elite status. Land became the source of power, privilege, prestige, and patronage.⁴⁶⁷ After independence, the regimes that emerged in Pakistan were either dominated by the feudals or the feudal interests were well represented; hence, there was little incentive to change the pattern of land ownership inherited from the British Raj. Scholars working on the problems of agrarian reform in India and Pakistan have long recognized "concentration of land" and "tenurial laws" as the primary "obstacles" to any meaningful land reform.⁴⁶⁸ Political leaders, parties, and regimes in South Asia have emphasized the need for agrarian reform, but steps taken to enforce land reform have been symbolic rather than substantive.⁴⁶⁹ This is so because the feudals (particularly in Pakistan were not only well entrenched in the power structure (i.e., military and bureaucracy), but also commanded enormous social, economic, and political power over the peasantry, quite independent of state power. In Pakistan, both at the elite and popular levels, feudalism is equated with the landlord's tyranny, oppression, and exploitation of the tenants.⁴⁷⁰ Since the feudal lord controls and regulates the *Roozgar* (means of livelihood) of the tenant, he exercises enormous social and political power. This dominance of the feudal lord in rural life has from time to time evoked the need for land reform. Herring has quite accurately summed up the rationale behind land reforms.

The land reforms of contemporary South Asia generate powerful political symbolism announced as an attack on traditional rulers of society, an almost awesome class. In attacking such potentates, the government presents a dramatic confrontation, taking the role of the defence of the weak and powerless, the exploited and oppressed, against the most powerful class the peasantry experiences.⁴⁷¹

Bhutto and the Promise of Land Reform

In Pakistan, Bhutto made skillful use of this "political symbolism" and raised the level of political consciousness among the rural peasantry. Through mass contact, Bhutto presented himself as the defender of the peasants' interests, a leader who was willing to fight "feudal oppression." He made direct appeals to the peasantry and promised agrarian reforms:

⁴⁶⁷ Ronald J. Herring, *Land to the Tiller: The Political Economy of Agrarian Reform in South Asia* (New Haven: Yale University Press, 1983), pp. 87–90.

⁴⁶⁸ Francine R. Frankel, "Compulsions and Social Change: Is Authoritarianism the Solution to India's Economic Development Problems," *World Politics* (1978), p. 226.

⁴⁶⁹ Herring, *op.cit.*, pp. 226–227.

⁴⁷⁰ *Ibid.*, pp. 95–96.

⁴⁷¹ *Ibid.*, pp. 225–226.

We cannot leave the fate of our peasantry entirely to the anarchy of private possession. There must be a bold and imaginative agrarian program aimed at reformation. The remaining vestiges of feudalism need to be removed.⁴⁷²

The Pakistan peasantry believed in him and placed their confidence in him by overwhelmingly voting for Bhutto and his PPP in the 1970 elections.

The foundation papers of the party declared that the party stood for the "elimination of feudalism" and, in accordance with socialist principles, "would advance the interests of the peasantry." Theoretically, the PPP had a program of rural transformation; it sought the elimination of feudalism, visualized the development of "cooperative farms:" and "agrovilles." The 1970 party manifesto declared.

West Pakistani owners of large estates, the feudal lords, constitute a formidable obstacle to progress. Not only by virtue of their wealth, but on account of their hold over their tenants and the neighboring peasantry, they yield considerable power and are, even at present, a major political force. The breaking-up of the large estates to destroy the power of the feudal land owners is a national necessity that will have to be carried out through practical measures.⁴⁷³

The program also envisaged the development of "cooperative farms." It argued that for an efficient utilization of the land, capital investment was needed, and improvements must be made over several holdings. This was to be achieved through voluntary effort. For example, the cooperative farms were to allocate labor, provide agricultural machinery, and regulate the supply of water for irrigation. The individual farmer would obtain seed and market his produce through the cooperative. In addition, the program called for "agrovilles," small towns linked functionally with the rural areas." These "new urban settlements ... [would] offer their inhabitants the maximum of amenities and participation in civic life."⁴⁷⁴

This blue-print for rural transformation was drafted by Bhutto, J. A. Rahim. Dr. Mubashir, and a few others. The program was too ambitious. The established groups and classes did not see it as more than an electoral ploy. It was quite evident that the PPP aimed to mobilize and incorporate those groups that were weak and dispossessed in the rural sectors. Did the PPP have the infrastructure to institute such a rural transformation? To reduce feudal power and improve the conditions of the peasantry, what kind of land reform did Bhutto propose?

⁴⁷² Bhutto, cited in Herring, p. 224.

⁴⁷³ Pakistan People's Party Election Manifesto 1970, pp. 28–29.

⁴⁷⁴ *Ibid.*, pp. 30–31.

It has been observed that the land reforms of 1959 and 1972 had marginal effects on the agrarian structure of Pakistan.⁴⁷⁵ I agree with the broad observation, but want to emphasize that there were some substantial differences between the two reforms which have not been given adequate attention (see Table 5.4).

First, Bhutto's reforms gave no compensation for the land confiscated by the government. Second, it imposed a ceiling under which government officials could not own more than 100 acres of land. Third, military officers were prohibited from exchanging border land granted to them for better land in the interior. These provisions reduced the niche that the military-bureaucratic elites had created for themselves and clearly curbed their power.

One can describe, analyze, and evaluate Bhutto's land reform policy as it evolved through the various stages of his rule (1971–1977). I will emphasize that, despite the persistence of hegemonic tendencies, the pluralist content of politics provided Bhutto with an opportunity to pursue an agrarian reform much bolder than that of Ayub's military regime. Bhutto attempted to synthesize ceiling and land tenure reforms in a step-by-step approach. He adopted a policy of incremental change to transform and, to some degree, restructure agriculture in Pakistan. As a reformist leader, Bhutto's task was to reconcile the interests of the feudals, the middle-sized farmer, and the tenants.⁴⁷⁶ Accommodating the interests of one could hurt the other.

On the issue of land reform, Bhutto was evidently torn between his feudal class interests and his passion for improving the socioeconomic conditions of the rural population. This research argues that in the industrial sector, Bhutto curbed the financial-industrial groups and used coercion and economic rewards to control industrial labor. In the agricultural sector, he adopted a strategy of introducing reform in a manner that would benefit the feudals, middle-sized farmers, small peasants, and tenants. Despite loopholes in the land reform legislation and failures in implementation, I argue that Bhutto's reform provided a number of incentives to the agricultural sector for improvement, expansion, and growth that led to a shift in the economic development strategy from import substitution to an export orientation.

Bhutto's land reform policy emerged in three phases. The first began in March 1972.⁴⁷⁷ Individual land ceilings were reduced to 300 acres of unirrigated land and 150 acres of irrigated land. Bedakhali (eviction) of tenants was declared illegal. Water rent and agricultural tax (both minimum) were to be paid by the landlord, not the tenant. Payment for seeds was also to be made by the landlord. These measures were modest, but Bhutto's rhetoric was radical. It must be pointed out that there is no correlation

⁴⁷⁵ Naseem, p. 191.

⁴⁷⁶ For a discussion of feudal vs. industrial class conflict, see Jamil, Rashid, "Economic Causes of Political Crisis in Pakistan: The Landlords vs. the Industrialists," *The Developing Economies*, Vol. XVI, No. 2 (June 1978), pp. 169–181.

⁴⁷⁷ *Bhutto, Speeches and Statements*, December 20, 1971–March 31, 1972, p. 98.

between fixing of land ceilings and feudalism. The ceilings merely imposed a limit on the ownership of land, while feudalism is a social system in which the feudal exercises social, economic and political control over the tenant.⁴⁷⁸ The ceiling limit was progressive, but Bhutto clearly showed his "class interest" and deviated from the declared party goal of eliminating feudalism. In his policy announcement, Bhutto asserted that he stood for transforming the "feudal" landowner into a "humane, agricultural entrepreneur." At the same time, he appealed to the sensitivities of the popular conscience. Land reforms were to restore the dignity, self-respect, and honor" of the rural masses of Pakistan. In his characteristic rhetorical style, he dismissed the reforms of 1959 as a "subterfuge," a "facade" to fool the people in the name of reform." He alleged that these reforms (of 1959) were made "to buttress and pamper the landed aristocracy and fatten the favored few."⁴⁷⁹ After these charges, one would have expected much more radical land reforms from him. Bhutto claimed that the reforms he envisaged

would effectively break the inequitable concentrations of landed wealth, reduce income disparities, increase production, reduce unemployment, streamline the administration of land revenue and agricultural taxation, and truly lay the foundations of honor and mutual benefit between landowner and tenant.

Bhutto was reassuring to the feudals and exhorted them to change their attitude and outlook toward rural social relations. He proposed that:

Enterprising and enlightened farmers should continue to live on the land and give agriculture the same sense of purpose it deserves We are as much against the ignorant and tyrannical landlord as we are against the robber barons of industry. We are as much for the creative and humane landowner as we are for a productive and conscientious owner of industry.⁴⁸⁰

Bhutto sought modernization of the agrarian structure, a goal that was also sought by the Ayub regime; the differences was that in agrarian relations, Bhutto aimed to "lay the foundations of honor and mutual benefit between the landowner and tenant." However, his personal political style fell far short of this declared aim. In May 1972 while explaining the thrust of his land reforms to Karachi businessmen and industrialists, Bhutto reiterated the same theme:

The ceiling of land holdings is designed to break up the concentration of landed wealth while the revision of the 'batai system' in favor of the tenant is intended to relieve him of the burden of certain traditional changes. At the same time, we

⁴⁷⁸ Herring, *op.cit.*, pp. 85, 90–91.

⁴⁷⁹ Bhutto, *Speeches and Statements, December 20, 1971–March 31, 1972, op.cit.*, p. 99.

⁴⁸⁰ *Ibid.*, pp. 99–100.

have tried to preserve the incentives for the continuation of agriculture as an attractive and profitable vocation for the enterprising and enlightened farmer.⁴⁸¹

The twin task of liberating the tenant from the "burden of traditional charges" and producing an "enlightened farmer" was not easy. Of course, the land reforms were not implemented as envisioned. The main obstacles to any meaningful reform were the feudals and the revenue bureaucracy. Although Bhutto's reforms affected a much larger number of landlords (92,048 compared to only 763 under Ayub's reform);⁴⁸² and his ceiling was substantially lower than Ayub's, it was clear that Bhutto was constrained by the presence of feudals in his own party. In this sense, the very organization of the PPP inhibited reform. There was little consensus among the various factions of the party on what should be the proper agrarian policy. In his policy speech, Bhutto had acknowledge that "Landowners have been feverishly transferring land on an intensive scale and in a manner designed to defeat land reforms."⁴⁸³ Later, the Chairman of the Federal Land Commission, Sheikh Mohammad Rasheed, also conceded that the feudals, both within the PPP and outside, exercised tremendous pressure to obstruct the formulation and implementation of an effective land reform policy.⁴⁸⁴ In fact, since the 1970 election victory of the PPP, the feudals (both in the PPP and outside) had already begun the partitioning, distribution, and division of the land among family members and in the name of trusted tenants. Such practices moderated the impact of land reforms. On the other hand, the non-PPP feudals indulged in large-scale evictions of their tenants. (While the PPP feudals stayed in the party, they adopted an attitude of accommodation toward the tenants). The landlords would tell tenants to "go and work for Bhutto since they had voted him to power."⁴⁸⁵ These evictions promoted Bhutto to declare eviction of tenants illegal. The evictions of tenants persisted during Bhutto's rule, but landlord vendetta was not the only cause. In its efforts to make agriculture "an attractive and profitable vocation" and to encourage the "enlightened farmer," the PPP regime developed favorable credit and loan policies that encouraged mechanization. This also caused tenant evictions. The tractor became the new status symbol; the feudals began to acquire tractors and the tenant became redundant and was forced off the land. According to one estimate, in 1974, 35,000 tractors were in use, an increase of 5000 in two years. Between 1973 and 1975, Pakistan imported 30,000 tractors.⁴⁸⁶ The regime cited the increase in tractors as proof of its commitment to the agriculture sector. Bhutto, Sheikh Rashid, and the Planning Commission all equated mechanization with modernization of agriculture and presented this as evidence of the regime's support for the agricultural community. Despite radical rhetoric and claims of rehabilitating the

⁴⁸¹ Bhutto, *Speeches and Statements*, April 1, 1972–June 31, 1972, *op.cit.*, p. 157.

⁴⁸² Naseem, *op.cit.*, p. 198.

⁴⁸³ Bhutto, *Speeches and Statements*, December 20, 1971–March 31, 1972, *op.cit.*, p. 101.

⁴⁸⁴ Cited in Herring, *op.cit.*, p. 111.

⁴⁸⁵ *Imroze*, January 5, February 26–27, 1972.

⁴⁸⁶ Ronald J. Herring and Charles R. Kennedy, Jr., "The Political Economy of Farm Mechanization Policy; Tractors in Pakistan," in Raymond F. Hopkins, Donald J. Puchala and Ross B. Talbot (eds.), *Food, Politics and Agricultural Development. Case Studies in the Public Policy of Rural Modernization* (Boulder: Westview, 1979), pp. 213–215.

tenants and small peasants, the primary beneficiaries of this mechanization were the feudals and middle-sized farmers. In this sense, the effects of land reform were contradictory; the mass arousal of the peasantry and modernization of the agrarian sector both adversely affected the tenants and accelerated evictions.

According to one account, between 1973 and 1974 in Punjab, the number of tenants evicted rose from 1658 to 2709. During the same period in Sindh, It rose from 24 to 367. In Baluchistan in 1973, 36 tenant evictions were reported; this number rose to 349 in 1977.⁴⁸⁷ These are only the reported incidents; in most cases eviction is not reported.

The Revenue Department bureaucracy was another impediment to the effective implementation of land reform. Although the Federal Land reform Commission was supposed to supervise the revenue bureaucracy, it had limited control and effect. The revenue bureaucracy is known for its power and corruption in the rural structure of Pakistan. At the village level, the Patwari (local revenue officer) is more an instrument of the feudal lord than of the state (because the feudal has power and wealth, while the Patwari is a petty government functionary; at times the feudal may have contacts with senior bureaucrats). The Zamindar-Patwari connection at the village level becomes awesome when one looks at the insecurities that confront the tenant and small peasant in rural life. Tenants and small peasants seek three basic securities: (1) security of life, (2) security of property, and (3) security of livelihood. Of these three securities, the most vital security of livelihood is almost non-existent because of the prevalent conditions in the rural areas⁴⁸⁸ noted by one study.

1. The name of the tenant was not recorded in any register of the Patwari; thus, he could be evicted by the landlord without getting a share of the crop he had raised.
2. The landlord did not give a receipt for his share of the crops received and evicted the tenant for non-fulfillment of the contract.
3. Peasants were often evicted by force.
4. The landlord refused to accept his share of the crops, thus causing waste which the tenant could ill afford, and paving the way for his eviction.

This indicated that in the rural power structure the odds are heavily against the tenant or small peasant. Local officials would hardly implement any law that would undermine the power of the feudals. This clearly suggested that no land reforms could

⁴⁸⁷ *White Paper on the Performance of the Bhutto Regime*, Vol. IV (Islamabad: Government of Pakistan, January 1979), p. 26.

⁴⁸⁸ H. H. Kizilbash, "Local Government, Democracy, the Capital and Autocracy in the Villages," cited in Asaf Hussain (1979), p. 50.

be effectively implemented without severing the Zamindar-Patwari nexus at the village level. Evidently, Bhutto's land reform did not aim at that.

It is not clear whether Bhutto had full cognizance of the tenant's insecurity syndrome or fully anticipated the consequences of his agrarian reforms, but he showed determination in proposing measures that were expected to improve the socioeconomic condition of the medium-sized farmers, small peasants, and tenants. In yet another attempt, in November 1975, Bhutto announced a reform of tenure laws. This measure abolished the land revenue tax for all peasants with holdings under 25 acres and progressively increased the tax for those with greater holdings. According to one official estimate, 7.2 million medium-sized farmers and peasants in the country were to benefit from this measure (the breakdown of the beneficiaries, according to province, was Punjab, 5 million; Sindh, 0.7 million; NWFP, 1.7 million; Baluchistan, 0.3 million).⁴⁸⁹ Through such gradual reformist measures, Bhutto demonstrated that he was committed to improving the conditions of small and medium-sized farmers and tenants. And, to a considerable degree, he succeeded in retaining their support.

Contradictory Goals: Radical Agrarian Reform and the Politics of Accommodation

The third phase of Bhutto's land reform emerged in December 1976, when the regime announced a "National Charter for Peasants."⁴⁹⁰ It soon became evident that the third phase was designed with an eye to the elections. Bhutto announced the decision to hold general elections in January 1977. By 1975 Bhutto was seeking accommodation and reconciliation with such established power groups as the bureaucratic military elites, the financial-industrial groups, and, of course, the feudals. By 1974, Bhutto had apparently embarked on a policy of downgrading, relegating or removing the PPP socialists from positions of influence and policy-making roles in his government. By late 1974, socialist factional leaders such as Dr. Mubashir Hassan, J. A. Rahim, Khursheed Hassan Meer, and Haneef Ramey, had been disgraced, removed, or had resigned from the PPP. Among the socialists, Sheikh Mohammad Rashid was the only factional leader who survived Bhutto's purge of socialists, as he had a substantial following among the Punjab peasantry. Instead, Bhutto had come to rely on the bureaucracy again, and the nationalizations enhanced the power of the bureaucratic elites. Second, powerful and articulate representatives of the feudal classes like Malik Khuda Baksh Bucha and later Malik Hayat Mohammad Khan of Tamman were appointed advisors to Prime Minister Bhutto. Having embarked on a policy of elite accommodation, Bhutto persisted with radical rhetoric, the politics of mass arousal, and substantive reformism in the agrarian sector. The contradiction was too obvious; on the one hand, Bhutto was seeking accommodation with the feudals, and on the other, trying to placate the rural peasantry. It was in the wake of these top-level changes that the National Charter for Peasants was announced. According to the Charter, the government was to distribute all the

⁴⁸⁹ Cited in Naseem.

⁴⁹⁰ For full text of character, see *The Pakistan Times*, December 19, 1976.

cultivable land the state possessed with less than subsistence holdings. According to official estimate, about 2 million acres of land were to be distributed among 100,000 peasant families.

In January 1977, just before calling for the general elections, Bhutto announced the second land ceiling. The land ceiling was reduced to 200 acres for unirrigated land and 100 acres for irrigated land. This move was clearly made with the elections in mind. It came as a surprise to the feudals and the opposition parties. It was estimated that 0.4 million acres would be distributed among 40,000 peasant families.⁴⁹¹

How much land was actually redistributed will probably never be known with any degree of accuracy. According to official estimates, less than .5 percent of the total arable land was redistributed, and less than 10 percent of the country's landless tenants benefitted from these reforms (see Table 5.7).

It must be pointed out that there were strong regional differences in these reforms.

In the NWFP and Baluchistan, the redistributive effects were more pronounced. As noted in the preceding chapter, these two provinces were dominated by the NAP. Since the presence of the PPP was marginal in these provinces. To establish the effectiveness of the center, Bhutto pursued implementation of land reforms more vigorously in these provinces. In addition, a continued history of landlord/tenant conflict in the NWFP was skillfully exploited by Bhutto to embarrass the NAP "Khans." More land was resumed and distributed among the tenants in these two provinces. According to one estimate, in the NWFP about 12 percent of the total farm area was confiscated, and about three-quarters of it was distributed among the tenants. In Baluchistan, 10 percent of the total arable land was confiscated and 36 percent of the tenants benefitted.⁴⁹²

Before we assess the overall impact of Bhutto's land reforms, it would be useful to analyze two radical measures he adopted. First was the abolition of the Sardari System in Baluchistan. Second was the nationalization of agri-based industries. Both of these decisions came in 1976 at a time when Bhutto had apparently forged an effective alliance with the feudal classes and the bureaucratic military elites. The situation dictated that there was little need to disrupt the new elite accommodation he had reached. It seems that Bhutto was planning for the general elections and, despite post-1975 compromises and reconciliations with the established groups, desired to retain his radical reformist image with the rural segments of the society. Both these measure proved to be grave miscalculations, and Bhutto was to pay heavily for them.

⁴⁹¹ *Pakistan Economic Survey, 1976–1977*, p. 191.

⁴⁹² Herring, *op.cit.*, pp. 113–114.

The system of Sardari (Abolition) Ordinance was introduced in April 1976.⁴⁹³ This struck at the very foundations of "Sardars" (tribal chiefs) in Baluchistan. Sardars were disenfranchised of their judicial powers, not allowed to retain private jails or arrest anyone, could not take free labor or receive a tribute. Contravention of the ordinance was made a criminal offense. The Baluch "Sardars" took the ordinance as a personal affront and hostility intensified toward the regime. This also indicated that despite, coercion and patronage, Bhutto was unable to reduce the influence of the "Sardars," the most powerful class in the province. The tribesmen were too dependent on the Sardar and, unlike Punjab, Sindh and NWFP, there were hardly any small or middle-sized peasants that Bhutto could mobilize. The dominant Baluch Sardars were alienated from the PPP regime as Bhutto prepared for the elections.

The second radical and premature policy was the decision to nationalize the cotton, rice, and flour mills in July 1976.⁴⁹⁴ There were 2,752 such mills (cotton ginning, 555; rice husking, 3,072; and flour, 125). The policy had reformist overtones and was aimed at expanding the public sector. Most accounts, sympathetic, and unsympathetic, seem to suggest that Bhutto was motivated by the prospect of winning the election and did not carefully examine the consequences the policy of nationalization agri-based industries might have. The consequences were to prove disastrous for the regime.

Ostensibly the policy had two objectives: first, to eliminate the Arthi (broker), or middle-man between the farmer and the market, and second, to consolidate the role of the public sector in the national economy. It is part of the political mythology in Pakistan that the Arthi squeezes profits from both the farmer and consumer. Bhutto played on this public perception, but found that the rewards were illusory. Arthis this were certainly despised by both the producers and the consumers, but had become an integral part of the market mechanism as it developed in Pakistan. The Arthis were not merely brokers, but in most cases performed the role of trader-merchants, acted as commission agents, and, in a number of cases, were small to medium-sized farmers or operated medium-sized industries. They also served as a vital link between the Mandi (market towns) and the urban centers. By their class origins, they were ideologically conservative groups and had links with Islam Passand Parties (i.e, JUL, JI, and JUP). These groups were to play an important role in the PNA-led protest movement against the Bhutto regime in the spring of 1977 and gave the protest religious overtones.

⁴⁹³ Pakistan Economic Survey, p. 196.

⁴⁹⁴ *Ibid.*, p. 182.

?Table 5.7 Implementation of Land Reforms as of July 31,1977					
		Area Resumed	Area Disposed	Balance	Number of People Benefitted
MLR-115					
Punjab	357,865	240,490	117,375	35,351	
Sindh	311,155	117,137	194,018	5,431	
N.W.F.P.	257,521	132,002	125,519	10,809	
Baluchistan		391,788	197,842	193,946	9,222
Total	1,318,329	687,471	630,858	60,871	
MLR-64					
Punjab	508,940	81,653	427,287	88,800	
Sindh	292,802	123,722	427,287	12,067	
N.W.F.P.	240,406	240,406		24,314	
Baluchistan		52,848	52,848		2,900
Total	1,094,996	496,629	506,367	48,170	
MLR-117					
Baluchistan		523,816	260,760	265,056	17,476
By Federal Land Commission	521,458		52,458		
Grand Total		3,460,599	1,446,860	2,013,739	136,519
<i>Sources: Federal Land Commission; S. M. Naseem, Underdevelopment, Poverty, and Inequality in Pakistan (Lahore: Vanguard Publications, 1981), p. 197.</i>					

The PPP regime simply did not have the managerial capacity to replace the Arthis. Burki has argued that agri-based industries were nationalized to reward the feudals because more than 4,000 officials with feudal connections were appointed to perform the functions of the Arthis.⁴⁹⁵ The overall effect was increased bureaucratic control and corruption. The government functionaries were simply not motivated to perform brokerage functions. It bestowed a bad image on the regime and left the feudals and consumers dissatisfied.⁴⁹⁶

The private system may have been bad and despised, but to replace it with a corrupt and inefficient system proved disastrous for the regime and considerably tarnished Bhutto's reformist image. It alienated the trader-merchant groups, antagonized the financial-industrial groups, and failed to establish the dominance of the feudals in the rural market, if it was intended for that purpose.

Academic assessments of Bhutto's agrarian reform vary in their interpretations and conclusions. There is a general consensus among scholars that (a) the reforms had a

⁴⁹⁵ Burki, Pakistan Under ... *op.cit.*, p. 160.

⁴⁹⁶ Adams and Iqbal, *op.cit.*, p. 167.

marginal impact on the pattern of land ownership and did little to break the concentration of land holdings, and (b) the mechanization of the agricultural sector did occur, with the tractor emerging as the new symbol of status and of the modernization drive, particularly in Punjab, Sindh and parts of NWFP.⁴⁹⁷ But the performance of the agricultural sector fluctuated because of internal factors (floods and crop failures) and external factors (depressed prices of cotton and rice in the world market). However, the assessments vary with regard to the degree of attitudinal change the land reforms may have brought about among the feudals, the level to which political consciousness among the rural masses may have been raised, and which groups may have benefitted and to what extent.

In Burki's assessment, the primary beneficiaries of Bhutto's land reform were not the more dynamic middle class farmers⁴⁹⁸ but the large landlords. Furthermore, he has contended that the mechanization policies also favored the large landlords and displaced the tenants. According to S. M. Naseem, although both the 1959 and 1972 reforms had the goal of modernizing agriculture and ensuring security of tenure for the tenants, they both lacked the "political will" to achieve these goals. He concluded: "Land reforms which are not backed by the political will to undertake vigorous measures for their implementation do more harm than good to the tenants."⁴⁹⁹

According to Sayeed, although Bhutto's primary motive was to subordinate every class in the rural structure, his policies and political rhetoric still had two positive effects. First, although the peasants, tenants, and landless labor did not get what they expected, "they could find some satisfaction in the new benefits that were made available in the form of residential plots and the exemption of land revenue." Second, "Bhutto's great contribution was that he had aroused both a new hope and political consciousness among these classes that, given certain decisive policies on the part of the government, their lot could improve."⁵⁰⁰ In a similar vein, Hamza Alvi, Gardezi, and others have also argued that although Bhutto's land reforms were a betrayal of the tenant and peasant classes, his political rhetoric did raise the level of political consciousness among the rural masses.⁵⁰¹

By most accounts, it is evident that Bhutto's greatest contribution was that he succeeded in elevating the level of political consciousness of the rural masses. However, he made little or no effort to organize this political consciousness by encouraging peasant associations or by integrating the rural peasantry into the PPP fold in any systematic manner. He succeeded in generating political awareness, but failed to develop a self-sustaining industrial base for the rural peasantry.

⁴⁹⁷ Herring and Kennedy *op.cit.*, p. 222.

⁴⁹⁸ Burki, *Pakistan Under ... op.cit.*, p. 158.

⁴⁹⁹ Naseem, *op.cit.*, p. 199.

⁵⁰⁰ Sayeed, *Politics in Pakistan ... op.cit.*, pp. 93–94.

⁵⁰¹ Gardezi Rashid, *op.cit.*, pp. 88–89.

Despite ineffectual political rhetoric and loopholes in the implementation process, Bhutto's land reforms did provide some benefits to almost every rural class. The feudal classes were the principal beneficiaries (a number of families and groups in Punjab, Sindh and NWFP made the transition towards becoming agri-based industrialists). The policy also gave relief to the small and medium-sized farmers and the tenants. The nationalization of agri-based industries proved disastrous and reflected Bhutto's failure to organize trade merchant and small and medium sized agricultural entrepreneurs into the political process. It has been aptly observed that Bhutto's land reforms brought about an "Agrarian Bourgeois revolution" in Pakistan. Herring has suggested that land reforms may be considered a part of the process of completing, invigorating, and facilitating the bourgeois society, economy and polity. Such functions, he concluded, were clear during the Bhutto regime generating powerful symbols, retaining the allegiance of the PPP left, attacking political opponents and regional satraps, attempting to cope with peasant discontent, stealing a march on other political parties that threatened to use same symbols in a counter-mobilization of the rural have-nots.⁵⁰²

Conclusion

Bhutto's policies of incremental change generated mixed results. These policies of incremental change created an environment for socioeconomic change, but did not produce conditions conducive to politics of bargaining, compromise and accommodation, in general, it can be stated that in the developing societies, policies of gradual transformation introduce a phase of transition, resistance to change, and uncertainty. Under the impact of Bhutto's socioeconomic reform, Pakistan underwent such an experience.

There is general consensus among scholars that Bhutto's policies did bring into the political arena the groups and classes hitherto unrepresented, but he could not institutionalize their role in the national polity. This was so because Bhutto sought accommodation with the established groups without sufficiently organizing the unrepresented groups. His policies did benefit the urban professionals, the medium-sized farmers, small and medium-sized entrepreneurs, and the feudals. However, his policies alienated the financial-industrial groups, the trader-merchant groups, and a segment of the feudals (the "Khans and Sardars" in NWFP and Baluchistan), who resisted these policies. Bhutto failed to win their confidence. Confronted with this hostility, Bhutto found it difficult to synthesize the interests of established groups and the disadvantaged groups and classes. Nevertheless, through his policies of gradual reform, he did succeed in achieving some modicum of social justice.⁵⁰³ The groups and classes that Bhutto mobilized did receive wage and welfare benefits and found some new employment opportunities, seen in the context of structural constraints and the

⁵⁰² Herring, *op.cit.*, p. 123.

⁵⁰³ Stainslow Welliocsz, "Some Remark on Pakistan's Economic System Before, During and After the Bhutto Period," in Manzooruddin Ahmed, p. 143.

relatively short span of six years, it seems that Bhutto succeeded in initiating a process of redistribution that apparently moved the pattern of income distribution toward grater equality, precise estimates of which are not available because of the paucity of data and formal analysis. Some studies, however, speculate that income inequalities may have increased because of the Middle East remittances (which certainly appears to be the case in post-1977 Pakistan).

Despite these modest achievements, industrial production stagnated, private investments declined, and the economic growth rate fluctuated. Industrial production stagnated for three reasons:

1. Nationalization of industries led to bureaucratization of industries, resulting in high inefficiency and low productivity.
2. By 1976, more than 70 percent of the public sector was committed to such heavy industries as steel, cement, fertilizer and defense-related industries. These industries had very large capital-labor ratios. According to one estimate, the Karachi Steel Mill required \$100,000 for each job it created, whereas private, large-scale industry required \$200,000 for each job. For small-scale enterprise, the capital-labor ratio was estimated to be only \$500.⁵⁰⁴
3. To overcome the lack of private investment in the industrial sector, the government's preferred policy was to expand the agricultural sector and modest increase of small-scale industrial enterprises in the private sector.

In summary, it can be stated that, given the relatively short period of 5 years, Bhutto, despite personal and structural constraints, succeeded in ushering in some degree of socioeconomic change. He could not provide optimal solutions as a reformist leader. His policies of incremental change did initiate a process of attitudinal change. But such a change could not be sub-stained without organizing new mobilized groups.

One alternative Bhutto could have pursued was to build the organizational structure of the PPP, give it a sense of ideological coherence, and enforce factional stability. For personal or structural reasons, or a combination of the two, Bhutto gave low priority to party building.

Consideration of rule led Bhutto not only to continue relying on the bureaucratic-military elites, but in his efforts to increase personal autonomy, Bhutto created and reinforced authoritarian institutions. Regime-building and not party-building became Bhutto's primary preoccupation.

⁵⁰⁴ Burki in Manzooruddin, *op.cit.*, p. 195.

In general, political parties in Pakistan have been dominated by leaders with feudal social origins. The PPP was an exception to the extent that in the formative phase of its development and early years of power, the urban professionals became a potent force in the decision-making process. However, by 1975 the feudal component had clearly established its dominance and that Bhutto was instrumental in bringing about this shift. Bhutto sought re-alignment with various feudal factions, both within and outside the PPP. This had a band-wagon effect; by 1976 feudals were joining the PPP in large numbers. This large influx of feudals further weakened the position of urban professionals in the PPP, who were either discouraged by this shift or were purged by Bhutto. In any case, the urban professionals showed lack of means and political will to resist this process. This added to the ideological chaos and organizational disabilities of the party. Simultaneously, Bhutto increased reliance on the bureaucratic military elites.

Having sought policies of elite accommodation, Bhutto did not change his radical rhetoric. Consequently, he retained popular support, but it remained mass-based, loosely organized, and dispersed. While the feudals and military bureaucratic elites, although adjusted to Bhutto's tactics, remained skeptical about his intentions.

Bhutto's major failure was his inability to co-opt the financial-industrial groups. He underestimated their strength and capacity for resistance. Excluded from the political and economic decision-making arenas, these groups not only remained hostile toward the Bhutto regime, but in the later years of his rule, encouraged and supported the opposition groups. The PPP increasingly became identified with feudal interests. With urban professionals weakened and the potential of small-medium business groups not politically realized, the PPP's reformism was perceived as pro-feudal and anti-big business. The financial-industrial groups remained hostile to the regime. In addition, it was his precarious control over the military that, among other factors, limited Bhutto's choices of developing an effective alternative to the military hegemonic political system.