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How to build economy without loans, exorbitant taxes? — I

Syed Nayyar Uddin Ahmad

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If anyone thinks that Pakistan's economic turnaround can be achieved with the loans and policies of the World Bank, the IMF plus its current team of managers incharge of Pakistan's economy, then probably, he was not aware of the fact these agencies and people have only one solution in their minds, which consists of three components:

Obtaining more and more loans from every possible avenue
Increasing number of taxes and their rates
Launching amnesty Schemes

As a common sense, giving fresh loans to repay the old loans, is no favour to Pakistan (which was already badly traumatised in every way by continuously fighting war on terror since the year 2001) from any lending agency.
These loan giving agencies, if they really wanted to help a war ravaged Pakistan, which was fighting their imposed war on terror (WOT), as a front line state of the world, should have given special moratorium on loan instalment payments, for at least a decade to Pakistan. But, as a typical Economy Destroyer Agencies, IMF etc., further trapped a hapless nation, deeper into their debts, with exorbitantly high interest rates.
To further add to the economic problems of the country, the economy management team of Pakistan, kept on increasing the inflation, by enhancing tax/utilities rates and imposing new taxes with every conceivable scheme in their minds.
These merciless tzars, further devised money whitening schemes to make the rich criminals, who built their fortunes by evading taxes, look innocent in the eyes of the law.
Now, our economic malaise has reached such a stage that business as usual, is going to jeopardise our statehood, not in years, but in months. The degree of the sovereignty of a country, is directly proportional to the state of the economy of that nation. Actually, in constant growth & development lies our salvation. Moreover, we Pakistanis must know, that without any doubt, the easiest and surest way of moving ahead, is to stand on our own feet.
Foreign expensive loans may keep us afloat, but will never allow us to swim and reach the shores of the economic stability. To seek fresh loans, to repay the old loans, is a sure recipe of disaster for any economy. According to a research [published by the Guardian dated 14 January, 2017] (https://www.theguardian. com/global-development-professionals-network/2017/jan/14/aid-in-reverse-how-poor-countries-develop-rich-countries? CMP=share_btn_fb) of the US-based Global Financial Integrity (GFI) and the Centre for Applied Research at the Norwegian School of Economics for every $1 of aid that developing countries receive, they lose $24 in net outflows. Now, one can easily imagine that if, aid can rip apart the economy of the developing

countries in such a rampant manner, how cruelly the loans must be looting and destroying the economy of the loans recipient nations.

Similarly, the above research also exposed the economic crimes of the multinational companies, wherein, they indulged in novel ways of loot and plunder of the developing nations, quoted as below:

Quote: "Multinational companies also steal money from developing countries through "same-invoice faking", shifting profits illegally between their own subsidiaries by mutually faking trade invoice prices on both sides. For example, a subsidiary in Nigeria might dodge local taxes by shifting money to a related subsidiary in the British Virgin Islands, where the tax rate is effectively zero and where stolen funds can't be traced. The above research also states the solution of the economic exploitation of the developing nations quoted as below:

Quote: "Poor countries don't need charity. They need justice. And justice is not difficult to deliver.We could write off the excess debts of poor countries, freeing them up to spend their money on development instead of interest payments on old loans; we could close down the secrecy jurisdictions, and slap penalties on bankers and accountants who facilitate illicit outflows; and we could impose a global minimum tax on corporate income to eliminate the incentive for corporations to secretly shift their money around the world." Unquote.

For the policy makers of Pakistan who are convinced that we can not survive without loans from the World Bank and IMF etc., the following extract from Cato Institute Policy Analysis No. 92: The World Bank vs. the World's Poor Link:-

https://object.cato.org/sites/cato.org/files/pubs/pdf/pa092.pdf Must be an eye opener which clearly states that $1 from the World Bank brings in $4 from the rest of the world.

Quote. "Has the World Bank helped the Third World? Some countries have benefited, but most of the long-term aid recipients have only ended up with heavy debt loads, swollen public sectors, and overvalued exchange rates. Instead of spurring reform, most aid programs have simply allowed governments to perpetuate their mistakes. As one IMF official described the impact of foreign aid on Zambia, "It is fair to say that what we have done is to allow Zambia to maintain a standard of living for its civil servants [whose payroll amounts to 20 percent of the country's gross domestic product] which is totally out of sync with the rest of the economy."[128]

After scores of structural and sector adjustment loans, and after thousands of "reform covenants" in bank project loans, most LDCs still have policies that would qualify them for an economic insane asylum. If the bank has been unable to straighten out Third World economic policies after disbursing over one hundred billion dollars in loans and handouts, what chance is there that increased bank lending will correct these problems in the future?

The World Bank's activities have been especially harmful because of its indiscriminate use of its "seal of approval." Barber Conable recently bragged, "Look at the foreign aid program: the World Bank is one of the most cost-effective elements, largely because $1 from the World Bank brings in $4 from the rest of the world."[129] Conable judged the bank's cost-effectiveness solely by the amount of resources transferred to Third World governments, with no concern for how those resources are used and abused. The bank routinely exhorts Western banks to continue lending to LDCs even after those countries have effectively defaulted on previous loans.

The World Bank has had a destabilizing influence on the international financial system; it has encouraged huge expansions of doubtful loans, failed to encourage reductions in lending when its research departments should have spotted warning signs, and dogmatically viewed all transfers of resources as inherently beneficial. But the ultimate question is, Are more bad loans good for the world economy?

World Bank loans either go directly to the recipient government or must be guaranteed by the government. Thus, World Bank aid inevitably increases the politicization of Third World economies—even while bank economists lecture on the need for politicians to stop throttling the marketplace. The costs of politicizing aid are far greater than the cost of interest payments on private credit.

The bank claims that it needs to provide more aid to Third World economies to help them grow. But the bank itself is based on an outdated theory of development economics, which assumes that all Third World economies need for growth is to be provided with capital handouts and modern technology.[130] Now that economists are beginning to realize that domestic economic policies are more important for growth than international welfare is, the World Bank no longer has a clear rationale for existing.

Critics assert that adjustment requires austerity and that the developed nations must give LDC governments extra aid to help them adjust. But in most cases what is needed is not belt tightening but simply that governments loosen the noose that is strangling their own economies. It is not belt tightening to allow farmers to receive market value for their crops, thus greatly increasing harvests. It is not belt tightening to stop arbitrarily seizing the assets of private businesses. It is not belt tightening to privatize the operations of state-owned companies that are sinking the government's budget. It is not belt tightening to reduce tax rates that are so high as to choke off income-generating activity. And it is not belt tightening to remove the pervasive restrictions on foreign investment that characterize almost all the Third World's troubled debtors.

The case is often made that loans to LDCs should be increased because capital can be used better in the Third World. This advice may be well received in freshman economics classes, but it is unconvincing to anyone who has visited Tanzania. As Harvard demographer Nicholas Eberstadt observed, "The rights to private property, personal liberty, due processes and even to life itself are routinely ignored or violated by the overwhelming majority of sub-Saharan states."[131] If a government is not trustworthy, how can it expect to be judged creditworthy?

For much of Latin America, the debt crisis would be largely "solved" if the citizens decided that the government could be trusted and called home tens of billions of dollars in "flight capital" that they had placed overseas to avoid expropriation. If a country's own citizens don't trust their government, why should the World Bank squander Western tax dollars subsidizing it?

—To be Continued