Chapter I

INTRODUCTION
Emergence of Pakistan

Pakistan came into existence in the year 1947 as a result of the partition of the Indian sub-continent. Certain provinces of India were cut off and formed into a new state, consisting of two wings, East Pakistan and West Pakistan. East Pakistan consists of East Bengal and Sylhet district of Assam while West Pakistan was formed of West Punjab, Sind and N.W.F. Agency.

Pakistan has generally been labelled as the outcome of communal strife - the inability of the two nations, Hindus and Muslims, to live together in a country with a Hindu majority. Religion, no doubt, played an important part in the formation of Pakistan. But to say, as has been done, that religion alone was the cause behind the partition of the country is to assign to it a role which it did not play. Religion was important only in so far as Islam maintained its different character due to a lack of dynamic force in Hinduism which is obvious by the fact that whereas all the other religions coming up in India from time to time were sooner or later absorbed in Hinduism, Islam withstood the efforts of Hinduism to absorb it. The fact that Islam retained its separate character resulted in a rather loosely knit social fabric in India. It was this lack of integration in the society
coupled with the political aspirations of the Hindu and Muslim leaders, which was cashed in by the Englishmen for fulfilling their eco-political ambitions in the Indian sub-continent when they found it difficult to keep it under their domination any more.

Leaders of both the groups found a ready tool in religious differences for the fulfilment of their political aspirations because there was no other basis for seeking and supporting a partition of the country. A natural corollary of the stand on religious basis was that the areas with a Muslim majority should be apportioned out to the Muslims to form a separate homeland. (1) The present geographically disparate shape of Pakistan is a result precisely of such a stand. There were no grounds for demanding a consolidated Pakistan.

Economically there was no justification for dividing the country and then of all the things accepting a Pakistan with two wings. The Muslim League in its enthusiasm for getting a separate land was caught up in a vicious circle viz. religious differences were pleaded to get a separate land; the only conceivable division of India on the basis of religion could have been the apportionment of Muslim majority areas to the Muslims and hence the present shape of Pakistan.

**Political and Social Structure**

Pakistan began its existence under extremely unfavourable circumstances and most of the world observers in 1947 had grave

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(1) There possibly could have been no other basis for partitioning the country.
doubts about the capacity of the new state to survive, especially its capacity for self-government. But the machinery of government was established and has been tested by a series of crises during the years 1947-55. The tasks facing the country were huge - she had to create a new capital and set up a new government. Pakistan consisted of half Bengal, without its major city; half of Punjab, destroyed by fire and riots; N.W.F.P, with a hostile government and Sind where trade and commerce were mainly in the hands of non-muslims. On top of the problem of co-ordinating these diverse provinces, was the refugee problem. With the coming into existence of Pakistan, people had hoped for a new era of social justice and muslim brotherhood; instead they were thrown into a bitter struggle for survival. (2)

To solve these problems, Pakistanis looked up to their leader Quaid-i-Azam M.A. Jinnah who exercised a steadying influence during times of fierce excitement. He became Pakistan's first Governor-General and President of the Constituent Assembly. Liaquat Ali became the Prime Minister and was Jinnah's principal lieutenant. Jinnah died in September 1948 leaving a gap too big to be filled by any successor. The cabinet recommended Khawaja Nazimuddin as a successor. After Jinnah's death, Liaquat Ali failed to solve the main problems facing the country viz. the Kashmir dispute, the canal waters dispute, the evacuee property problem, the poor state of the economy and the refugee problem. As a result a sense

(2) Keith Callard, Pakistan: A Political Study (London, 1957) 19.
of frustration spread in the country. In October 1951 Liaquat Ali was assassinated.

The vacancy so created was filled by Nazimuddin who stepped down to become the Prime Minister. Ghulam Mohd., the Finance Minister, took his place as the Governor General. The new administration made little headway with the problems which had confronted its predecessors. Rather some additional dangers cropped up. (3) In April 1953 the Khwaja was asked to relinquish his office because of his inability to grapple with the problems facing the country. Ghulam Mohd. called upon Mohd. Ali, ambassador to the U.S., to form the government as the Prime Minister. Mohd. Ali was not the leader of a party or even of a substantial block within the Muslim League. Having remained on diplomatic service for some years, he had not been much before the public eye. Hence, his coming to power offended a number of the best known and powerful political leaders in the country. In order to control the centre it was essential to remove the power of intervention from the hands of the Governor General. It was decided to do so in September 1954 by an amendment to the Government of India Act but the Governor General struck first and dissolved the cabinet and the Constituent Assembly. A new cabinet was formed with the Prime Minister continuing in office.

After more than seven years Pakistan had no constitution other than the patched up remanents of the Government of India

(3) The new problems cropping were the food crisis, the balance of payments problem and the religious opposition.
Act and had not had a nationwide popular election. (4) Pakistan no doubt had survived these seven years but it could not be said to have prospered politically. In fact a small group of about 20 persons monopolized all the key positions in the political set up and transferred themselves from one field to another as the occasion seemed to warrant making all the important political decisions at every level.

Provincial political life was closely linked with the tension existing at the centre. The result was either instability or a government retained in office undemocratically. The political situation in East Pakistan was apparently stable up till 1954. In 1953 the opponents of Muslim League combined their forces in an electoral alliance called the United Front. This was a coalition formed of various parties which had come together for achieving autonomy for East Pakistan and defeating the League. In the provincial elections the League was routed badly and the leader of the United Front was asked to form the government. Even before the new government was formed there was a serious breakdown of law and order in the province and the Governor's rule was proclaimed and a new Governor was sent from Karachi to take charge. People living in East Pakistan were denied the right to rule themselves by the end of 1954. In November 1954 the Prime Minister announced the intention of merging the provinces of West Pakistan into one unit and consequently liquidating their assemblies. The career of democracy in Pakistan had not begun in a promising manner.

The political situation on the whole in Pakistan had been an unstable one during the first seven years of her existence. There had been no period since 1947 when some cabinet, central or provincial, had not been in danger of a mutiny among its own supporters. The League Convention was postponed and the Constituent Assembly was dismissed because the party could not be relied upon to support the leadership it had accepted. (5)

The tradition of Pakistan was not one of democracy. The struggle for the establishment of the state was one for the rule of Muslims by Muslims. The objection to British or Hindu rule was that it was alien to the religion, culture and traditions of the Muslims. Hence the system of political parties in Pakistan had hardly any resemblance to that of most other democratic countries. Politics in Pakistan was made up of a large number of leading persons who with their political dependants formed loose agreements to achieve power and to maintain it.

As to the social structure of Pakistan, religion perhaps is the most important single factor which influences the Pakistani social set up in a significant way. Islam is different from other religions in that it is a way of life, embracing social, political and cultural aspects of the lives of its followers. For instance, Islam lays down an almost complete code of economic conduct covering consumption, production, accumulation of capital and most important of all the distribution of wealth. Moreover Pakistan was achieved on grounds that followers of Islam constituted a separate nation and so must have a separate homeland. And Pakistan was declared

(5) Ibid., 48.
to be an Islamic republic by the new abrogated Constitution of 1956 thereby giving expression to their aspiration of moulding the lives of the Muslims according to the principles laid down in Islam. Also an effort was made to give a practical shape to the economic aspects of this aspiration in the First Five Year Plan, the objectives of which were to enable Muslims to order their lives according to the teachings of Islam at the same time guaranteeing fullest freedom and rights to the minorities. (6)

One serious problem confronting the leaders in Pakistan is to assess the degree to which Islam has a hold over the masses. The politician has been isolated from the masses due to his western education and nowhere is this barrier stronger than in the field of religion. The Islam of the politician is different from the Islam of the peasant and the worker. The man in the street looks up to Islam for guidance regarding all the aspects of his life and it is hard for him to believe that Islam can be silent about any political, constitutional or economic aspect of statehood. All Muslims are agreed about one thing, and that is that Pakistan should be based upon the teachings and traditions of Islam. But there is always some scope for differences in discovering and interpreting the traditions and teachings.

There are two widely different interpretations of Islam current in the country. At one extreme is the Islam of the politicians and administrators and this comes very close to

(6) The First Five Year Plan 1955-60, Government of Pakistan (Karachi, December 1957) 6. Henceforth referred to as FFYP.
western secularism while the other extreme is provided by the narrow and conservative interpretation of the ulama who believe and are determined that no institution that is not in accordance with the divine law will survive. This applies to 'interest, savings, capital formation' all of which are essential and perform important functions in the present set up. It is important to recognize how greatly interdependent the various elements in a civilized society are and if there is a danger of some element disappearing, it is essential to consider all the functions performed by it and to see to it that an alternative for performing those functions is provided. (7)

The ulama wield considerable influence over the minds and the behaviour of the masses. Though a state based upon Islam cannot be a theocracy, dependence upon the ulama for religious guidance may mould the value system of the masses in such a way that it may become positively harmful for economic development - at least in two ways. The first is the dichotomy of worldly and other worldly interests, which are inherent in all transcendentally oriented religions, and in which the masses may be led to maintain faith and already do. The second religious barrier consists of the tendency to favour traditionalistic stereotyping of behaviour which may thus breed stagnation and a reluctance to accept new ideas. (8)


The result is that economic development will invariably involve an initial process of rationalization of the social structure of the type provided by 'protestant ethics' in modern Europe.

Geography

A peculiar feature of the Pakistan economy, as has been pointed out, is its geographic disunity which was the outcome of the criteria used for the allocation of different regions to India and Pakistan at the time of partition. East Pakistan is separated from West Pakistan by about 1,000 miles of Indian territory. The nearest sea route is about 3,000 miles long. (9) This spatial difference has far reaching implications for the economic development of the country.

There is no doubt that over space mobility is resisted in an under-developed and traditionalistic economy. But the resistance will be still greater in a non-compact country, particularly when the different wings of the country apart from being geographically disparate have deep rooted social disparities. Hence there is little or no mobility of people between the two Wings of Pakistan. This necessitates the movement of economic opportunities to people rather than movement of people to economic opportunities. (10)

Generally the obstacles to the mobility of labour do not so much consist in the expenses of transporting labourers from


(10) FFYP, 18.
one region to another as in a psychological aversion to changes, particularly those to something unknown. (11) But the costs of transport play a very important role in the movement of goods. Costs of transport reduce trade and weaken the tendency towards equalization of commodity prices. Such a reduction of inter-regional trade through higher costs of transport may lead to duplication which may easily tend to be wasteful in the sense that excess capacity emerging in any of the two wings may not lend itself to an economic utilization for the other wing. As also there is hardly any transfer of income effects of multiplier and acceleration from one wing to another.

Socially also the two wings are very much different from each other. Barring religion the people in East Pakistan have nothing in common with those in West Pakistan - language, dress, diet, way of life etc. (12) Western Pakistan is oriented towards the Middle East. Eastern Pakistan is irrevocably a part of South East Asia. (13) Not only are the two social set-ups different but there may also be found an element of estrangement in their attitudes towards each other. Such a feeling arose mainly because of three issues - the distribution of available financial resources, representation in the federal legislature and the language issue.

(13) Ibid., 153.
For East Pakistan the real issue was not to secure provincial autonomy but to obtain recognition of the claim of the Eastern Wing to equality with the Western Wing. There was always a desire for autonomy but this was enhanced and made more bitter by the feeling that the national government was fundamentally hostile to everything concerning East Bengal. (14) It is not to suggest that such disparities do not exist elsewhere. But in a compact country continuous social and economic intercourse with the neighbouring areas brings about greater social cohesion. In the case of Pakistan on the other hand, the wings which formerly formed two extremes of undivided India were suddenly severed off from the whole and put together as one country. And this may account partly for the immobility of labour between the two wings.

Moreover the two wings have structural differences in the sense that factor endowment of the two are different and the two started after partition from different levels of development. (15) This disparity in the levels of development can be traced to historical as well as geographic factors. Historically, towards the end of the 19th century - the period of industrial development in many parts of India - modern industry made hardly any progress in East Bengal. Generally there was a movement away from handicrafts towards agriculture. The industrial outburst of 1902 converted the metropolitan district of Calcutta into a highly

(15) FFYP, 74.
industrialized one but outside Calcutta and its neighbourhood there was little industrial enterprise. (16) Normally, once a region begins with a competitive advantage which in the case of Calcutta was provided by the fact that it was the seat of British Government in India and was a good port, the play of the forces in the market generally tends to increase rather than decrease the inequalities between the regions, generating powerful forces making for a spatial concentration of economic growth around the initial starting points. In the earlier stages the 'polarization effect' may be stronger but after a certain period of time the 'trickling down' effect gains the upper hand bringing the lagging regions in line with the growing ones. (17) And that is exactly what would have happened in the case of Calcutta and East Pakistan but for the partition. At the time of partition in 1947 East Bengal which had all through been complementary to West Bengal in the sense that it served as a hinterland to the building up of industries, wealth and prosperity of Calcutta, fell to the share of Pakistan. East Pakistan thus started its life as a part of Pakistan from a very low level of industrial development. West Pakistan on the other hand was very much different from East Pakistan in certain respects.


(17) A. O. Hirschman, The Strategy of Economic Development (New Haven, 1958) 183, 189; and Gunnar Myrdal, Economic Theory and Under-developed Regions (London, 1957) 26-33. Hirschman's polarization and trickling down, effects are not very different from Myrdal's 'back wash' and 'spread effects' respectively though Hirschman has claimed superiority for his concepts.
Though this region also was a primary producing one, it had a structure more suitable for industrial development.

Keeping in view the various factors like economic, political, social, and spatial differences, the situation calls for a carefully framed policy of regional growth. In fact the problem can be solved by following any one of the various possible alternative policies of regional growth. But a wrong decision may result into an explosive political situation with very considerable economic losses. A correct approach will not only solve the problem but also greatly accelerate the rate of growth.

Population

In 1951 Pakistan had a population of 73.8 millions out of which only about 10.4% was urban. (18) The total civilian labour force excluding persons claiming nationalities other than Pakistani and the labour force of NWFP, was 22.4 millions, forming about 30.7% of the population. Out of the total civilian labour force East Pakistan had about 57.5% and West Pakistan had about 42.5% having 14.9% and 84.1% of total land area respectively. (19)

The 1961 census shows a considerable increase in the population; the total population according to the 1961 census being 93.7 millions. The population of East Pakistan was estimated to be 50.8 millions while that of West Pakistan was 42.9 millions. (20)

(18) See Table 1.
(19) Ibid.
<table>
<thead>
<tr>
<th>Population in 000</th>
<th>Urban in 000</th>
<th>%</th>
<th>Area sq. miles</th>
<th>Civil Labour force in 000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>73,880</td>
<td>7,863</td>
<td>10.4</td>
<td>22,392</td>
<td>100.0</td>
</tr>
<tr>
<td>E.Pak:</td>
<td>41,932</td>
<td>1,844</td>
<td>4.4</td>
<td>12,886</td>
<td>57.5</td>
</tr>
<tr>
<td>W.Pak:</td>
<td>31,948</td>
<td>6,018</td>
<td>17.8</td>
<td>9,506</td>
<td>42.5</td>
</tr>
</tbody>
</table>

Labour force 30.4% of population.

Note: Figures exclude the statistics of NWF and persons claiming other nationalities. The two come to 206,669 and 1,755,152 respectively. The total labour force out of these being 306,056.

Source: Pakistan Statistical Year Book 1957, Tables 2, 8, 9, pp. 3, 10, 11.
### Table 2

**Civilian Labour Force by Industry Group - 1951 Census of Pakistan**

<table>
<thead>
<tr>
<th></th>
<th>Pakistan</th>
<th>%</th>
<th>East Pakistan</th>
<th>%</th>
<th>West Pakistan (including Karachi)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total (a)</strong></td>
<td>22392684</td>
<td>100</td>
<td>12886340</td>
<td>100</td>
<td>9506344</td>
<td>100</td>
</tr>
<tr>
<td><strong>Agriculture</strong></td>
<td>17124694</td>
<td>76.5</td>
<td>10916568</td>
<td>84.7</td>
<td>6208126</td>
<td>65.3</td>
</tr>
<tr>
<td><strong>Manuf.</strong></td>
<td>1419429</td>
<td>6.3</td>
<td>499443</td>
<td>3.8</td>
<td>919936</td>
<td>9.6</td>
</tr>
<tr>
<td><strong>Trade &amp; Comm.</strong></td>
<td>1150683</td>
<td>5.1</td>
<td>501853</td>
<td>3.8</td>
<td>648830</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Building Cons. &amp; Utility</strong></td>
<td>206480</td>
<td>143560</td>
<td>72920</td>
<td>112110</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>314034</td>
<td>1.4</td>
<td>201923</td>
<td>1.6</td>
<td>9178</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Mining</strong></td>
<td>11152</td>
<td></td>
<td>1974</td>
<td></td>
<td>9178</td>
<td></td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>1324175</td>
<td>5.9</td>
<td>493027</td>
<td>3.8</td>
<td>831148</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Unclassified</strong></td>
<td>842037</td>
<td></td>
<td>127992</td>
<td></td>
<td>714045</td>
<td></td>
</tr>
</tbody>
</table>

(a) Excluding the former NWF Regions.  
See note to Table 1.

**Source:** Pakistan Statistical Yearbook, 1957  
Table 10, p. 12.
High birth rates and high death rates in Pakistan result in a population which is very young. According to 1951 census, nearly 30% population was under the age of ten years while 50% was under 20. On the other hand, less than 20% was over 40. Such a distribution has important consequences for Pakistan's labour force in the sense that on the one hand labour force is a small percentage of the total population while on the other hand the number of economically inactive dependants is very high.

Agriculture employs by far the largest percentage of the labour force i.e. 76.5%, manufactures, trade and commerce and services employing among themselves about 17.1% (table 2) of the total. There were considerable differences in the occupational pattern between the two wings. In East Pakistan agriculture employs about 85% of the total labour force of the region. The other occupations employ an almost insignificant proportion of the labour force. On the other hand West Pakistan employs about 65% of its labour in agriculture, 9.6% in manufactures, 7% in trade and commerce and 9% in services, showing thereby a more diversified pattern. (22) If the occupational set up is any criteria of industrialization then West Pakistan is much more industrialized than East Pakistan.

This excessive dependence on agriculture may be reduced with the advance of economic development and surplus labour may

(21) FFYP, 193.
(22) See Table 2.
emerge. (23) Such a surplus can be employed at the existing wage rate or at a slightly higher one in the new industries so that the profit margin remains intact. But if the wage rate increases, the margin of profits may be reduced reducing the rate of capital formation. To the extent that increasing number of labour can be employed at the going wage rate or at a slightly higher one, the supply of labour can be said to be elastic - with elasticity greater than unity in the sense that with a change in the wage rate, the change in the supply of labour will be more than proportional. (24) As a result of this shift in labour, the occupational pattern may undergo significant changes, so much so that the percentage employed in agriculture may be reduced to around 50% and in manufacturing trade etc. it may be pushed up considerably. Occupational pattern is a function of factor endowment, productivity and international trade. With economic development all the three factors undergo changes, factor endowment changing the minimum. But the change in productivity and trade may be sufficient to change the occupational pattern altogether but the influence of factor endowment will be visible in the sense that the labour employed in agriculture can be reduced from 76.5% to say 50% but it cannot be reduced to 4.9% as it is in U.K.

(23) This invariably is one of the effects of economic development which may be defined as an increase in per capita income. See J. C. H. Fei and others, An Analysis of the Long Run Prospect of Economic Development in Pakistan (Karachi, 1962) 4.

There is no doubt that an abundant and cheap supply of labour is an essential factor for promoting economic development but only when it is well equipped with capital. The approximate rate of growth of population in Pakistan came to about 1.35 per cent per annum and it was expected to rise to 1.4 during the first plan period. (25) As is well known the effect of development on death rate is certain whereas the effect on the birth rate is uncertain. It is almost definite that as an immediate result of economic development the population will grow and generate an increase in the labour supply. Hence the new supply of labour for the new industries will come from a change in the occupational pattern in the country and from population growth. This two way growth in the labour may present both an opportunity and a challenge. An opportunity in the sense that labour force in Pakistan may grow at a fairly rapid rate and economic development may proceed without having labour shortage as a bottleneck and wages eating into the profits and it may prove to be a challenge in the sense that it may be a real problem to provide employment and consumables to such a rapidly increasing labour force in the industrial field.

(25) FFYP, 190.