

Pakistan: Extraction, State-Building, and (Misplaced) Societal Preferences

By

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Abstract

The paper argues that extraction is one of the rudimentary functions of the state; that the state's other functions like coercion, regulation, redistribution and provision of public goods are singularly dependent upon its ability to extract; that the level of extraction in a state is determined by the level of robustness of (a) extractive policy handles and (b) relevance and effectiveness of enforcement handles that the state places at the command of its extractive arm; that robustness of the state's policy and enforcement handles is squarely dependent on the level of importance that the society attaches to its extractive function. The argument then is analyzed in the context of Pakistan from the perspective of political parties, institutional outlook, civil society and media. The paper concludes that Pakistan's historically embedded low tax-take, inter alia, is ascribable to the low importance that both the state and the society attach to the extractive function.

JEL Classification: HI

Key Words: State Building; Elite Capture; Pakistan's Tax System; Pakistani Elites; Pakistan's Political Parties; Political Manifestos; State Capacity

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Introduction

The philosophical genesis of the state lies in its notional capacity to *extract* and *coerce*.² Its actual or perceived capacity to extract and coerce determines its relative strength or weakness to perform its avowed functions. It is thus not surprising that historically the state's twin-dilemma to *survive* and to *thrive* had sinisterly laid in these two intrinsically entangled, critically interdependent, and mutually reinforcing constant strives; neither being achievable without the other. Goes without saying that state has other functions to perform depending on its over-arching ideological predilections, ethno-economic structural composition, aspirations it nurtures, and the time and space in which it exists but primacy accorded to and availed by extractive and coercive functions has remained unquestioned. There is thus only a miniscule margin available to state in terms of preferential re-ordering of allocation of resources amongst a broad set of compulsive functions – with its capacity being over-arching operating parameter.

The locus classicus, Almond et al conceive state in terms of six sets of capabilities: (i) extractive capability; (ii) regulative capability; (iii) distributive capability; (iv) symbolic capability; (v) responsive capability; and (vi) domestic and international capability.³ Mere fact that extractive capability precedes all others may be indicative of fact that rest of five capabilities, to a great extent, are dependent on first capability. Ghani and Lockhart envision existence of state in terms of national (i) treasures managing public finances; (ii) economists and trade actors regulating and reversing market; (iii) executive controlling public administration; (iv) actors in education, training, health and welfare, investing in human capital; (v) utilities actors, running effective infrastructure services; (vi) enterprise actors investing in natural, industrial, intellectual assets; (vii) legislature defining social contract, delineating citizenship rights and duties; (viii) diplomats and negotiators overseeing international relations and public borrowing; (ix) judiciary and police upholding the rule of law; and (x) military controlling a monopoly on the means of violence.⁴ Tilly sees state as necessarily undertaking (i) state making; (ii) war making; (iii) protection; (iv) extraction; (v) adjudication; (vi) distribution; and (vii) production.⁵ Migdal has also ventured into developing a typology of the state functions although with a tinge of difference.⁶ The point made out is that none of the theorists has missed out on extraction or its some equivalent as an important function of the state.

The paper, however, goes a step further and argues that the functions of the state are divisible into two starkly demarcated categories: that is, first, intrinsically essential capacities and

² See, for instance, F. Fukuyama, *The Origins of Political Order: From Prehuman Times to the French Revolution* (Profile books, 2011); T. Hobbes and C.B. Macpherson, *Leviathan* (Penguin Books, 1974); R. Nozick, *Anarchy, State, and Utopia* (Basic Books, 1974); Francis Fukuyama, *State-Building : Governance and World Order in the 21st Century* (Ithaca, N.Y.: Cornell University Press, 2004).

³ Gabriel A. Almond and G. Powell Bingham, *Comparative Politics: A Development Approach : An Analytic Study* (Boston: Little, Brown and Company, 1966), 190-212.

⁴ Ashraf Ghani and Clare Lockhart, *Fixing Failed States : A Framework for Rebuilding a Fractured World* (Oxford; New York: Oxford University Press, 2008).

⁵ Charles Tilly, *Coercion, Capital, and European States, A.D.990-1990* (Oxford : Basil Blackwell, 1992).

⁶ Joel S. Migdal, *Strong Societies and Weak States : State-Society Relations and State Capabilities in the Third World* (Princeton, N.J.: Princeton University Press, 1988).

functions; and second, prescriptively required capacities and functions.⁷ Whereas capacities to extract and coerce are rudimentary to state's very creation and being, other functions like redistribution, regulation (e.g. contract enforcement and market intervention), and exercise of symbolism are required to underwrite a state's continued existence and integrity. The state's capacities falling in the first set (extractive and coercive) are mutually dependent but reasonably interdependent of second set; whereas second set capacities in addition to being mutually dependent are preponderantly dependent on first set of functions. "Regulation, like extraction, obviously underlies much of the performance of the other capabilities. These two capabilities are in themselves interdependent. A system needs resources in order to regulate, but it is through the use of control and of coercion or its threat, that resources are obtained."⁸ It has also been argued that once a state has resources at its command, it can beef up its coercive function, which, in turn, perks up state's revenue effort. To a good extent, it is the performance of state's extractive function that determines performance levels of its other functions. "The state's capacity to mobilize and extract financial resources is the core of state capacity and the foundation for the state's ability to realize its other capacities."⁹ It is first set of state functions that this paper is grappled with – and there too primarily with extractive function, its relationship with state-building, and importance that various institutions and societal agents accord to it. The paper, thus, hypothesizes that while extraction is central to state-building process, it is degree of sensitivity and exactitude of perspective that underlying society has to extraction as a critical determinant of efficiency, effectiveness and level of state's extractive operations.

The paper is divided into five sections – excluding an introduction and a conclusion. Section I explores into theoretical concepts underpinning the subject, and surveys various approaches to state-building. Section II connects state-building with extraction from various dimensions to underscore latter's centrality for former. Section III attempts to establish and analyze inter-play between state-building and extraction. Section IV – very core of paper – lowers theoretical debate to ontological landscape of Pakistan and undertakes critical evaluation of sensitivity and importance of political parties as evidenced through their manifestos, select institutions, intelligentsia, media and civil society by way of attestation of set hypothesis. Section V is an attempt to gauge if disaggregated institutional approach is applicable and relevant to state-building within given context of the paper. The conclusion wraps up the debate with an exclusive focus on diagnostics rather than on remedial prescription.

Section I Theoretical Underpinnings

What is meant by state-building? To Fukuyama "State-building is simply the creation of new government institutions and the strengthening of existing ones."¹⁰ Fjeldstad et al giving a sociological dimension to the matter, take "state-building broadly as increasing the capacity of governments to interact constructively with societal interests, to obtain support and resources

⁷ Although, literally speaking, those could be carrying slightly variable meanings, yet constructs like 'capability', 'capacity,' and 'functions' have been interchangeably used in the paper - as in literature on political science, political economy, and political philosophy.

⁸ Almond and Powell Bingham, 197.

⁹ Shaoguang Wang and An'gang Hu, *The Chinese Economy in Crisis : State Capacity and Tax Reform*, Studies on Contemporary China (Armonk, N.Y.: M.E. Sharpe, 2001), 27.

¹⁰ Fukuyama, ix.

from those interests, and to pursue consistent lines of action.”¹¹ To Tilly “State building provided for the emergence of specialized personnel, control over consolidated territory, loyalty, and durability, permanent institutions with a centralized and autonomous state that held the monopoly of violence over a given population.”¹² While Fukuyama appears to be ignoring people and focusing institutions only, leaving aside role that institutions, once created, play within overall process of state-building, it is Fjeldstad et al who effectively hammer home point that institutions are created to establish and maintain essential channels of communication and transact with citizens by and on behalf of supra perceptual reality – state. Tilly’s conceptualization incorporates both institutional and sociological perspectives to state-building. The paper posits that state institutions, instead of being intrinsically an end in themselves could be instrumentally relevant towards state-building, that is, strengthening state-society interdependence and relationship. Whatever way “state-building” is defined – be that from sociological or institutionalist perspective – concept carries great amount of relevance for a 21st century Pakistan – like so many other developing countries.

There are two overarching strands in which most theoretical literature on state building can be classified. First, endogenous strand (or developmental) strand which stipulates that state-building is basically a national process essentially propelled by state-society relations – with or without external actor assistance or involvement. Second, exogenous strand which implies that state-building is a function of external actor activity with regard to constructing and reconstructing critical state institutions – particularly in war-torn, strife-stricken, and fragile states.

Endogenous Strand

Endogenous strand envelops majorly three approaches to state-building; namely, good governance, new public management, and decentralization have come to hold sway of late. One, good governance is loosely taken to mean creation of state institutions that can operationally undertake contract enforcement, safeguard peoples’ rights, and deliver public goods. “The dominant ‘good governance’ paradigm identifies a series of capabilities that, it argues are necessary governance capabilities for a market-friendly state. These include, in particular, the capabilities to protect stable property rights, enforce the rule of law, effectively implement anti-corruption policies and achieve government accountability.”¹³ Such good governance approach is essentially capitalistic in nature that emerged towards the end of twentieth century.

Two, New Public Management approach primarily sponsored by Breton Woods institutional framework looks to use “market like reforms within the public sector to provide the government with the necessary power to implement a development plan on the economy while also using competitive market-based techniques to enhance public sector production,” which, inter alia, also implies changing “public sector employment practices from career tenure positions towards limited-term contracts.”¹⁴ Although, one of the important pillars of New Public Management approach is government contracting out and franchising service delivery, yet in most developing countries and Pakistan being no exception where markets are near-imperfect, any venture to

¹¹ Deborah Brautigam, Odd-Helge Fjeldstad, and Mick Moore, eds., *Taxation and State-Building in Developing Countries : Capacity and Consent* (Cambridge; New York: Cambridge University Press, 2008), 242.

¹² Charles Tilly and Gabriel Ardant, *The Formation of National States in Western Europe*, Studies in Political Development, 8 (Princeton: Princeton University Press, 1975).

¹³ Mushtaq H. Khan, "D.E.S.A. Working Paper: Governance, Growth and Poverty Reduction," (London2009).

¹⁴ UNRISD, *Building State Capacity for Poverty Reduction* (New York2010), 36.

actualize neo-liberalist policy tools could be fraught with risk of regulatory capture by corporate giants and effective elites.

Third, decentralization “seeks to reduce rent-seeking behavior and inefficient resource allocation associated with centralized power by dispersing such power to lower levels of government, where the poor are likely to exercise influence and a variety of actors may participate in the provision of services.”¹⁵ Decentralization as an approach to state-building has its limits e.g. capacity of local representative leadership, limited control of fiscal funds at local level, possibility of familial and tribal considerations influencing resource allocation, thin and diluted state recoil to corruption and bungling of funds and resistance of ruling oligarchs to decentralize and devolve fiscal powers to lowest rung of governance – like in Pakistan.

Exogenous Strand

The only significant approach that is categorized under exogenous strand is extracted from Modernization Theory. Modernization theory implies progressive transformation and transition of a given society from a “pre-modern” to a “modern” stage of development.¹⁶ The theory does tend to look at internal factors but stipulates that with external help societies at lower levels of development can jump up to advanced stages of development in shorter periods of time and at a lesser (capital) price-tag. Other mainstays of modernization theory are industrialization, diffusion of technology, urbanization, overcoming slavish consecration to tradition, and integration with rest of the world of social, economic and political orders. In addition to W.W. Rostow, scholars who contributed to development of modernization theory include Marquis de Condorcet¹⁷, Emily Durkheim,¹⁸ Seymour Martin Lipset,¹⁹ and Talcott Parsons.²⁰ In recent past, US leveraged modernization theory in Afghanistan to formulate a three-pronged strategy towards re-building the war-torn state i.e. firstly, by building institutional capacity (Afghan Army); secondly, by triggering a social change (women’s rights, development of traditional economic sectors e.g. agriculture and handicrafts); and thirdly, power deals with local elites i.e. Taliban and other warlords. Of late, modernization theory has been severely attacked by dependency, globalization and world-systems theorists.

It can be taken as given that if a state requires triggering its re-building process, availability of resources at its command – intrinsically as well as instrumentally – may be the single most critical common denominator under both endogenous strand and exogenous strand approaches. Next section narrows down focus of debate from state-building theories to establishing causal connection between state-building and extraction as an important state function.

¹⁵ Ibid., 30.

¹⁶ W.W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge University Press, 1990).

¹⁷ J.A.N. de Caritat marquis de Condorcet, I. McLean, and F. Hewitt, *Condorcet: Foundations of Social Choice and Political Theory* (Massachusetts: Edward Elgar Publishing, 1994).

¹⁸ E. Durkheim and W.D. Halls, *The Division of Labor in Society* (New York: Free Press, 1997).

¹⁹ S.M. Lipset, *Political Man; the Social Bases of Politics* (New York: Knopf Doubleday Publishing, 1963).

²⁰ T. Parsons, *Theories of Society: Foundations of Modern Sociological Theory* (New York: Free Press of Glencoe, 1961).

Section II

State-Building and Extraction

Since Schumpeter a stunningly large body of knowledge has been created in disciplines of both political philosophy and political economy, which solemnly consecrates itself to the study of a definite nexus between the very process of state-building in a state and its extractive capacity.²¹ The analyses that rise above being diagnostic chits to qualify being comprehensive prescriptive memos have also found strong covariance between the strength of a state and its extractive system. It can further be premised that, *ceteris paribus*, strong states have strong extractive systems and weak states have weak extractive systems. Goes without saying that taxation remains a state's *raison d'être* and is to be distinguished from its other subsidiary functions and departments as earlier highlighted.

Schumpeter attains seminal status by linking with clarity the process of state-building directly with its ability to extract resources from the subjects a state seeks to govern.²² The state's capacity to extract might influence the process of its building up in a variety of ways, but Fjeldstad et al take note of four major channels i.e. through (i) providing revenue; (ii) shifting towards more appropriate revenue resources; (iii) creating more effective tax administrations; and (iv) encouraging constructive state-society engagement around taxes.²³ Other scholars have found correlation at work in a variety of ways, too.

Governance

There is a most significant relationship between the quality of governance and the level of taxation. This is easily predictable even without any rigorous statistical analysis. Summarizing a significant amount of empirical analysis carried out on the subject, Moore states that "the size of the tax burden that states lay on citizens ultimately impacts on patterns of governance."²⁴ He further "suggests a more direct, immediate and positive causal linkage from the size of tax burdens to the quality of governance than even avid disciples of fiscal contractualism could reasonably have expected."²⁵ Anecdotal evidence and common observation also reveal that countries having high tax to GDP ratio also enjoy good governance levels like in Scandinavian, most European, and North American countries. On the other hand, most developing countries, including Pakistan, with low tax to GDP ratio, are finding governance a difficult proposition. This occurs not only because state fails to collect what legitimately belongs to it to perform its prescribed functions, but also because tax delinquents are left with surplus amount of resources, which do not legitimately belongs to them. The latter then take on the former's legal infrastructure with impunity.

Democratic culture

The researchers have also discovered a positive correlation between the level of taxation and the diffusion as well as strengthening of democracy over time. Ross, using two variable measures of

²¹ Joseph Alois Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954).

²² *Ibid.*

²³ Brautigam, Fjeldstad, and Moore, 242.

²⁴ *Ibid.*, 39.

²⁵ *Ibid.*

tax incidence in 113 countries over a period of 26 years (1971-97), found that there was a statistically significant association between increases in tax incidence and increases in the levels of democracy after a period of three, five, and ten years.²⁶ The results cannot be dubbed as unpredictable although examples from real world could be cited to contest the trends. Likewise, it will be an interesting research question to explore whether diffusion of democracy could have a positive causal relationship with payment of taxes.

Diffusion of Liberalism

A positive relationship between liberalism and taxation has also been spotted. Mahon finds good support for the idea that the proportion of direct and domestic indirect taxes in state revenues, as opposed to rents from oil, minerals or other sources, is a good gauge of democracy and an even better predictor of liberalism.²⁷ The discharge of liability of paying taxes on part of the subjects automatically leads to creation of charge in their favor on the state in terms of their rights. The subjects learn to govern themselves by paying taxes.

Stakeholder management

Fiscally active states are less prone to be politically volatile and chaotic as they carry a semblance of extractive fairness; they are more responsive to group needs and demands than those that are otherwise. Almond et al point out that “structures and cultural attitudes under-lying performance of internal conversion processes of the political system have great influence on responsive capability. If certain well-organized, well-financed groups have special channels of access to power-wielding politicians, then it is likely that the system will be primarily responsive to their demands and not to those of the masses.”²⁸ Demand articulation by factions and their satisfaction by the state, will encourage other segments of society to organize themselves and engage state structures for satisfaction of their needs and demands. Since factions represent interests into which society divides itself, theoretically, entire society can factionalize itself – last faction being residual one – members of which have no worthwhile common uniform demand to articulate. The process of organizing common fiscal interests can have a halcyon impact on the polity, absence of which may trigger “violence and demonstration.”²⁹

Image building

A state’s extractive capacity at home adds to its overall international image, its capacity to borrow in the international credit market, and to the sum of its national worth with which it negotiates with international actors in bilateral or multilateral frameworks. The actual extractive capacity is substance; rest is diplomacy built on it. “A system with a high resource extraction capability at home may also be able to demand much from other nations.”³⁰ Therefore, insistence of Pakistan’s foreign donors and lenders on improving its tax system is not out of place. An efficient tax system under-writes a state’s ability to discharge its financial obligations – both

²⁶ Michael L. Ross, "Does Taxation Lead to Representation?," *British Journal of Political Science* 34, no. 02 (2004).

²⁷ Jame E. Mahon, "Liberal States and Fiscal Contracts: Aspects of the Political Economy of Public Finance," (2005).

²⁸ Almond and Powell Bingham, 202.

²⁹ Ibid.

³⁰ Ibid., 205.

domestic and international – and improves its credit-rating thereby lowering mark-up rate on its credit portfolio.

Replacement of citizen loyalty

During nation-building process a state that is fiscally active in terms of provision of infrastructure and other basic amenities to its citizenry can help first displace traditional loyalty-pattern and then replace and embed it in a new master – the state itself. “One of the great problems faced by the “transitional” nation is that loyalties are given to tribe or clan and not to the national system and its goals... A system must have adequate capabilities of extraction and regulation before it can begin to distribute resources.”³¹

Strengthening of state-society relations

Taxation, in many ways, is a useful tool of building state-society relations on solid footing. In order to gather important repository of information about its citizens, a vibrant tax system is the tool – particularly in the initial stages of its creation so as to identify any social, the anti-state elements.³² This is so very relevant in the case of Pakistan. The essence of a relationship’s strength lies in the level of mutual interdependence. The state demands, the citizen pays; and in turn, citizenry makes demand for public goods, which the state has to provide. This very give-and-take results in the building up of a bonding of mutual inter-dependence. In a society where nobody pays taxes, the relationship between the state and the citizen remains that of disengaged co-existence. Theoretically, prolonged periods of disengaged coexistence cause further weakening of state institutions resulting in collapse of state structure itself in due course of time.

Section III State-building and Extractive System

While in the preceding section a correlation between state-building and extraction as an innate state function was explored and established, in the present section an attempt will be made to establish if a similar connection between state-building and extractive system – as an operational arm of state – exists at the theoretical level. There is, in fact, plenty of literature linking the process of state-building with its extractive administration. Kaldor spotted a strong relationship between a strong revenue service and state-building in the then newly decolonized world. He, in his memorable piece “Will Underdeveloped Countries Learn to Tax”, noted: “Of course no underdeveloped country has the manpower resources or the money to create a high-grade civil service overnight. But it is not sufficiently recognized that the revenue service is the ‘Point of entry’; if they [underdeveloped countries] concentrated on this, they could secure the means for the rest.”³³ Kaldor further argued that underdeveloped countries could generate adequate resources in an equitable and egalitarian manner by overcoming traditional curses associated with a tax administration “... if sufficient attention is given to the creation of corps of permanent officials whose pay, status and prospects of promotion are high enough to attract the best talent, and also high enough to establish the professional standards and etiquette associated with a

³¹ Ibid., 207.

³² Migdal.

³³ Nicholas Kaldor, "Will Underdeveloped Countries Learn to Tax?," *Foreign Affairs* 41, no. 2 (1963): 417.

public service that enjoys a privileged social status.”³⁴ Unfortunately, this has not happened in the case of Pakistan like in so many other developing states. The “privileged social status” that was traditionally associated with generalist civil service cadres was by reason of their active role in generation of national revenues – primarily from agricultural sector. By the time of independence, their role as revenue collectors had substantially diminished as contribution from other professional revenue corps took quantum leaps. But matrimony of dubious credentials between elites and generalist cadres of civil service gave latter a new lease of life, in turn, helping the former perpetuate the economic status quo in Pakistan.

One of the most important pillars of Brautigam’s significant work “Taxation and State-Building in Developing Countries: Capacity and Consent” is the formation of effective extractive bureaucracies. “I begin with an analysis of war, threat and natural-resource-based revenues,” Brautigam exhorts, “as they figure in rulers’ incentives to establish ‘good’ extractive bureaucracies, and the institutional development that is the foundation of an effective state.”³⁵ This process happened first in Britain. Tax revenue constituted central “sinews of power” supporting early rise of the British state.³⁶ Legislatures in Britain used their power of purse to hold governments accountable for use of citizens’ tax revenues. But accountability brought with it new demands for capacity. Parliaments demanded reports and information to document legislative proposals, and government departments became more skilled and sophisticated in collecting information they needed to respond to legislative demands for accountability.³⁷ In a nutshell, what Brautigam is describing is how British state evolved? Arguing that, inter alia, British state was evolved in an ever-intricate process of engagement between the British parliament and the British revenue authority, she avers: -

“The existence of a professional tax bureaucracy allowed Britain and other countries to develop a sophisticated system of bond finance. Knowing that their government had access to reliable sources of revenue, investors and financiers could accept lower rates of interest for these bonds, allowing the government to invest not only in weapons and manpower for wars, but, many decades later, in the construction of systems of sanitation and water that would boost living standards for the increasingly urban populations. The issuance of bonds and the rise of a system of national debt helped establish the City of London as a global financial market.”³⁸

Brautigam further posits that stimulus for building state capacity and institutions required to run a modern economy lies in the revenue imperatives. This is because as extractive system professionalizes itself, “it pushes additional changes that build states, as a response to legislative demands for accountability, as a way to nurture sectors of the economy with tax potential and as a way to make revenue raising more efficient and effective.”³⁹ In the same vein, Tilly memorably exhorted that “war, state apparatus, taxation, and borrowing advanced in tight cadence.”⁴⁰ If

³⁴ Ibid., 416.

³⁵ Brautigam, Fjeldstad, and Moore.

³⁶ John Brewer, *The Sinews of Power : War, Money, and the English State, 1688-1783* (New York: Knopf, 1989); Mathew Adam Kocher, "State Capacity as a Conceptual Variable," *Yale Journal of International Affairs* Summer, 2010 (2010); *ibid.*

³⁷ Brautigam, Fjeldstad, and Moore, 8.

³⁸ Ibid., 9.

³⁹ Ibid.

⁴⁰ Tilly and Ardant, 180.

Brautigam or Tilly’s assertions were to have any relevance or substance, the whole morass of politico-economic problems inflicting Pakistan could be analyzed within the context of a weak, and capacity-sapped extractive system. The development of a tax system on solid and unshakable footing is at the roots of the very concept of the state and state-building. Chaudhry, while analyzing the process of state-building in Middle East in the wake of massive in-flow of oil revenues, emphatically argued that “decline of a tax bureaucracy has unintended consequences that bode ill for the long-term development of all parts of the bureaucracy. Extractive institutions are the base of administration, without them, regulation and distributions are impossible.”⁴¹ The weakness in the structures of the state blessed with abundant sources of riches of non-tax revenues could then be attributable to non-existence or partial existence of revenue administration. The mere juxtapositioning of Pakistan against the backdrop of this raging intellectual discourse is enough to cause horripilation, in that, the most important state function – extractive function – has remained intriguingly stunted, deformed, and in a constant state of dysfunction with tremendous damaging results whereby the state’s ability to perform its fiscal, redistributive, regulatory and other required functions stand hurt, harmed and hampered beyond repair. The paper argues that there is a strong causal connection between Pakistan’s weak state up for grabs – both from inside and outside – and its incapacitated extractive administration.

Section III Extraction and Polity of Pakistan

Having driven home the point that extraction is fundamental to governance, and that extraction is to be distinguished from other functions that states profess to perform, paper now moves on to argue that in Pakistan such is not the case. The state of Pakistan’s consistent failure to improve its revenue effort recently propelled its external stakeholders into exerting serious pressure on the government to improve domestic revenue effort as they are primarily concerned about the fragility of the external sector of economy. This pressure mounts on the heels of exploding health and educational disasters as Pakistan is showing largest number of out-of-school children after Nigeria, and reporting the highest number of polio cases in the world for many years on the trot. The impact of these statistics is exacerbated by the fact that Pakistan’s tax to GDP ratio is one of the lowest in the world. The cross-country data plotted in the table below vividly galvanizes inadequacy of the Pakistan’s extractive efforts.

International Comparison of Tax Take - Year 2013*

| Country | Filers (millions) | Filers-to-Population Ratio | Tax to GDP Ratio |
|-----------|-------------------|----------------------------|-------------------|
| UK | 26 | 40% | 39.0 |
| US | 148.5 | 46% | 26.9 |
| India | 36 | 2.9% | 17.7 |
| Malaysia | 1.7 | 6% | 16.1 |
| Sri Lanka | 0.38 | 1.8% | 12.0 |
| Pakistan | 0.84 | 0.46% | 9.5 ⁴² |

* Data collected from various sources.

⁴¹ Kiren Aziz Chaudhry, *The Price of Wealth : Economies and Institutions in the Middle East*, Cornell Studies in Political Economy (Ithaca: Cornell University Press, 1997), 33.

⁴² Includes 6.5 per cent share of provinces.

Manifestly Pakistan's revenue effort is lowest amongst select set of countries not only in terms of tax to GDP ratio but also in terms of ratio of population filing tax declarations annually. Why is it so? Does Pakistan economy not have an extra pound of flesh to offer to the state? Does not look like that since Pakistan is consistently being rated amongst top thirty richest countries on purchasing power parity. Pakistan's stock market is one of top performers in an international comparison. Likewise, Pakistan is one of largest consumer of ornamental gold, gemstones, and other items of conspicuous consumption. It thus can be premised that despite there being definite capacity, state of Pakistan is not being able to collect due amount of revenues from its citizens, which, in turn, may be a cause of its evident failure to perform its avowed functions. Multiple run-of-the-mill causes could be cited for state's failure to collect its due amount of revenues,⁴³ the point remains that since state has not collected its due share from citizens and engaged in an effective redistribution of resources, state-society relations never developed on solid footing. "Pakistan is a state and society operating without a modern social contract," because "state exists and persists without a linear fiscal relationship with the people," and "is unaccountable to the people of Pakistan because the people of Pakistan do not pay taxes," and in turn, "state doesn't owe" the people any services, or answers, and the people don't feel that they owe the state any money."⁴⁴ The paper, however, within the bourns of elitist framework posits that the state's failure to undertake par extraction might be stemming from the fact that the society which underlies the state accords importance to state's revenue function way too lower than the required levels. This could be analyzed by dissecting various societal segments and agents e.g. political parties, select institutions, intelligentsia, media and civil society.

(A) *Political Parties*

In a multi-party democratic dispensation, political parties provide framework of state governance. In tandem, political parties vying for power under-grid political system, attempt to assimilate and aggregate underlying group aspirations and demands, articulate the same in their manifestos, contest elections and if voted to power, seize government – by implication the state's bureaucratic apparatus – and try to actualize their vision pronounced in their manifestos through policy formulation and implementation. Thus, political party manifestos outline a vision for the state with respect to a particular political party. Party manifestos, at least theoretically, can be taken as fundamentally critical documents and meaningful sources of information regarding a party's stance on various issues of presumed importance to the electorate. Manifestos are not only supposed to be political statements of what a particular party stands for, but also on what issues, and to what extent. Manifestos may also "be viewed as the texts through which parties characterize themselves and their differences with their rivals."⁴⁵ According to Laver and Hunt political "parties can at least in theory be held accountable for their published policy

⁴³ See, for an illustrative list of such causes, Farzana Munir, "Determinants of Low Tax Revenue in Pakistan," *Pakistan Journal of Social Sciences* 30, no. 2 (2010); Hassan Kamran Bashir, "Strengthening Tax Reform Architecture in Pakistan : A Few Suggestions" (Unpublished LLM Thesis, Havard Law School, 2006).

⁴⁴ Musharraf Zaidi, "A State with No Social Contract," *The News*, June 7 2011.

⁴⁵ Craig Allen Smith and Kathy B. Smith, "A Rhetorical Perspective on the 1997 British Party Manifestos," *Political Communication* 17, no. 4 (2000).

statements,”⁴⁶ because these manifestos provide some reasonably firm ground on which to base an official description of a political party.⁴⁷

While all political parties in Pakistan have been overly expending their energies to chalk out strategies to optimize on state’s expenditure function for whatever purposes, they have more often than not tended to ignore revenue function as a critical responsibility of the state. If ever, however, extraction happens to make appearance at a political party’s radar screen, it is oversimplistic, off-mark, elitist in tone and tenor, and most often self-defeating. Since the very visions of political parties are not solid policy positions and prescription documents, in post-election scenarios, they are neither attempted to be implemented nor are they implementable. A dissection of Pakistan’s major political parties’ manifestos from the perspective of tax policy and its implementation – if and when they obtained the requisite means for the purpose – could be educative.⁴⁸

Pakistan Peoples Party (PPP)

Pakistan Peoples Party (PPP) was established by Zulfikar Ali Bhutto in 1967, after developing differences with Ayub Khan – a military dictator who ruled Pakistan from 1958-68 – in whose government Bhutto had been Minister for Foreign Affairs. PPP was established as a party having strong socialist and left-of-centre leanings with its flagship slogan being “Islam our faith; Democracy our polity; Socialism our economy.” After a decade-long military rule, while, on the one hand, the country was going through a period of hyper political fermentation chiefly triggered by its Eastern Wing’s divisive and secessionist overtures, on the other, it geared to hold its first party-based general elections with a view to establishing British-style parliamentary system. The paper picks only one thread – extraction – and empirically analyzes its treatment by PPP as exhibited through its manifestos – historically.

Manifesto - 1970

Somehow, nation soon started nurturing high hopes with PPP and its leader who had all requisite socialistic tricks up his sleeve to mobilize lowly masses and raise their ambitions in life. “The PPP election manifesto had promised a revolutionary socio-economic programme aimed at making a radical departure from the traditional feudal-capitalist economy.”⁴⁹ PPP published its much-touted Manifesto in mid-1970, at length delineating its vision of “Reform of Taxation System.” The manifesto’s treatment of Pakistan’s extractive system can be studied in terms of five significant points.

Firstly, it aspired to change the very “basis of taxation.” Toeing ultra-socialistic line that PPP publicly espoused, manifesto averred that “establishment of a socialist order will, naturally, change the present basis of taxation, which being designed for a capitalistic society favors the

⁴⁶ Michael Laver and W. Ben Hunt, *Policy and Party Competition* (New York: Routledge, 1992), 31.

⁴⁷ Ibid.

⁴⁸ An extensive survey of political parties manifestos reveals that, except PPP, which has traditionally put systematic and serious effort into formulating its manifestos, all other political parties have either not taken business of putting together their manifestos seriously or did not make efforts to make them available in public domain for access.

⁴⁹ Azimussshan Haider, *Economic History of the Region Constituting Pakistan, from 1825 to 1974 : An Analytical Study of Mainstreams* (Karachi: Haider, 1975), 85.

accretion of wealth with the privileged classes.”⁵⁰ Secondly, the manifesto discounted utility and efficacy of the tax system to perform redistributive function in the economy. It posited that it was “fallacious” to believe that “taxation methods by themselves in a capitalistic society are capable of equalizing incomes,” and that such belief was “sedulously fostered by the vested interests themselves.”⁵¹ The manifesto further accentuated that “high taxes have not prevented the accumulation of wealth amongst a very small class of people in Pakistan, nor done justice to either working class or the middle classes with fixed incomes.” Thirdly, PPP looked to accord a subsidiary role to state’s extractive function by stipulating that taxation was “merely a way of providing public finances,” and that “money has to come from the surplus value created in industry and agriculture and the rest of the activities that employ human labor and effort.”⁵² This was quite an indication of mass expropriations that took place as soon as PPP had come to power after winning general elections of 1970. Fourthly, the manifesto heralded to radically reform the tax system. Although, it argued that “an equitable social structure cannot be built by taxation alone,” yet it reckoned the need “to introduce immediate reforms of the present iniquitous and inefficient taxation system,” prior to a stage when “large-scale socialist reforms are executed.”⁵³ Fifthly, it went after the tax system itself a la Elites Ltd. stating that “another defect of the present system is that it calls for a huge army of officials, most of whom do not do a full day’s work,” and that “there would be considerable saving if taxation” were simplified in such a way to make it “easy for the private tax-payer to assess his liability to the state without the help of expert guidance.”⁵⁴

In overall terms, the manifesto was couched and fashioned after *The Communist Manifesto* having all the anti-elite leanings. However, a careful dissection would reveal that it was replete with emotive stock-phrases, contradistinctions, normative pronouncements, unqualified and un-researched statements, abstract constructs, and hardly any concrete policy statements. For instance, emphasis on concentration of economic resources was significantly over-blown in 1970, as “an analysis ... will ... reveal that even inside the country the assets of the 22 families were not a very big portion of total national wealth in terms of money. The actual diffusion of wealth was much wider.”⁵⁵ True, PPP was aggressively espousing socialist-populist sloganeering with vengeance, yet a definite degree of rigorous realization was expected of it of the state governance imperatives – a strong extractive system being one of them. Ironically, not only that there was no promise to strengthen the tax system, the manifesto even failed to draw distinctions between tax administration and tax policy, and direct and indirect taxes and tried to address the both with one swipe in an excessively confused manner.

The only significant achievement of PPP government (1972-77) within the context of state’s extractive function came not from within but outside its manifesto. Bhutto imposed “agricultural income tax for the first time in history of the country, which, of course, did not go well with landed elite,” who also formed bulk of PPP’s own upper crust. Although, a corresponding exemption to landholdings up to 25 acres irrigated and 50 acres of un-irrigated land alongwith an

⁵⁰ PPP, "Manifesto-1970," <http://www.ppp.org.pk/manifestos/1970.html>.

⁵¹ Ibid.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ Haider.

“investment allowance to promote productive investment in agriculture,”⁵⁶ were introduced, yet Elites Ltd would not allow agricultural income tax to stay. The first measure of some substance and importance that Gen. Zia-ul-Haq announced after overthrowing Bhutto regime, within the arena of fiscal policy, was abolishment of agriculture income tax in late 1977.

Manifesto – 1977

PPP manifesto – 1977, released during the run-up to general elections planned for later that year – was coming from a sitting government. The manifesto sought to (a) eulogize its achievements during its first term in power; (b) lament its failures; and (c) take shelter behind conspiracies hatched by vested interests. With wide-going expropriations as promised in the 1970 manifesto, having failed to help the government harvest the needed resources “from the surplus value created in industry, agriculture, and rest of the activities,”⁵⁷ the only achievement that it was left to boast about was the imposition of agricultural income tax. Lamentations and efforts to hide behind scapegoats were pretty pronounced. “The problems created by the anti-democratic and anti-national forces of the Opposition parties and the tactics they adopted were serious obstacles, and that the PPP Government's programme and efforts were further undermined by other vested interests,” and further that “Big business illegally took the capital overseas, and indulged in large-scale 'tax evasion, price manipulation, hoarding, black-marketing and smuggling.”⁵⁸ PPP despite recognizing “conspiracies by the vested interests” and “big businesses” who indulged in all kinds of anti-state activities could not outline any plan to abate the trend through concrete policy measures or strengthening of state’s extractive and coercive arms. It could perhaps be gauged from dull and drab treatment of extraction in its manifesto that PPP having gone into defeatist mode, was not ready to realize its past mistakes and carve out a reasonable roadmap for future. Nation-wide agitation that broke out to challenge the veracity of the thumping success that PPP achieved in 1977 general elections and resultant military rule imposed by Gen. Zia-ul-Haq never actually allowed manifesto to go to implementation stage.

Manifesto – 1988⁵⁹

In the wake of PPP’s decision to re-enter electoral politics through 1988 general elections, the party manifesto pledged to formulate fiscal policy “to increase revenue through a reform of the tax system,” so as to “ensure economic justice by spreading the benefits of progress and evolving an equitable taxation sector that is also development oriented while not overburdening the honest tax payers.”⁶⁰ The pledge, in effect, contextually marked shift in PPP’s traditional historically known position on at least three counts. Firstly, it heralded an unequivocal departure from socialism to capitalism as far as PPP was concerned. Secondly, it signaled PPP’s aggressive antagonism to industrial elite and business elite evaporate into thin air and give way to mutual cooperation and bargained coexistence. In an effort to entice industrial elite and business elite and to overcome high distrust extant in their mutual relationship, manifesto exhorted “that the

⁵⁶ PPP, "Manifesto-1977," <http://www.ppp.org.pk/manifestos/1977.html>.

⁵⁷ "Manifesto-1970".

⁵⁸ "Manifesto-1977".

⁵⁹ PPP chose to boycott non-party based general elections held in 1985 in step with most political parties under Movement for Restoration of Democracy - a pro-military alliance of most national and regional political forces.

⁶⁰ PPP, "Manifesto-1988," <http://www.ppp.org.pk/manifestos/1988.html>.

tax system at all levels of the government should be fair, equitable and conducive to rapid development,” and that the “tax payer and the people must share in a harmonious partnership for overall growth and distributive justice.”⁶¹ Thirdly, PPP’s meekly muffled misgivings towards extractive administration as evidenced in the 1970 manifesto looked to have correspondingly graduated into hostility. Optimizing traditionally tested elitist tonal nuances, the manifesto took on the state’s extractive system in the following manner: -

“The logic of high corporate and income tax is rooted in a paranoid distrust between the government and the tax payer; in most cases the tax collector is the principal beneficiary. Similarly endless exemptions in the tax law increases the discretionary authority of the officers and consequently lead to misuse and graft. The business community has a legitimate grievance against the high handedness of the tax collecting authorities, as the system is skewed in favor of the dishonest on both sides and honest elements are treated as persona non grata. The Party is determined to overhaul the system and bring about changes which will lead to fair practices, rational tax slab, curtailment of discretionary powers and growth of business and industry.”⁶²

To analyze PPP’s shifts in stance, it could be legitimately argued that first one was necessitated, in part, by way of compensation for mass-scale expropriations euphemistically dubbed as “nationalization,” that had, on the one hand, propelled the generalist cadres into strong rent-seeking positions in productive industries, and on the other, sent national productivity on downward spiral big time – coupled with flight of financial and human capital from domestic market, and in part, by an international consensus that had started to emerge as regards success of capitalism vis-à-vis communism and all other competing ideologies.⁶³ Second shift may have been dictated by the fact that PML then was being resuscitated by Mian Nawaz Sharif who successfully identified himself with the country’s business elite and industrial elite with an effortless poise which exerted an added pressure on PPP to try to win back society’s capitalist class and demand from it tax revenue in a facilitative mode instead of “surplus value” as was demanded in 1970. Third shift, however, cannot be ascribed any intellectual moorings as it does not seem to stem from PPP’s own governance experience of the first term in power. In fact, its 1977 manifesto, which directly sprang from its incumbency experience, had not betrayed any signs of frustration with its own extractive machinery. Perhaps the only explanation that could be put forth for this shift from tax system’s mild criticism to its outright battering was that it was trying to overly appease industrial elite and business elite – in the process perhaps over-compensating them for the excesses done against them during its 1972-77-term in power.

PPP also vowed to “introduce new fiscal measures to discourage the creation of black money and expand the monetized sector,” and take bold initiatives “to create confidence in the businessmen in the economic management of the country, so that foreign exchange out flow is stopped; transactions made easier and inflow of foreign exchange is enhanced.”⁶⁴ In an intriguing end to the section on “Judicious Taxation System” the manifesto vaguely remarked “Wealth tax laws

⁶¹ Ibid.

⁶² Ibid.

⁶³ Mikhail Gorbachov had already unleashed his policies of "perestroika" and "glasnost", and Francis Fukuyama's famous article "The End of History" had also already appeared in The National Interest of Summer, 1989.

⁶⁴ PPP, "Manifesto-1988".

will be reviewed,”⁶⁵ which statement could have been interpreted either way – within the given temporal and spatial context.

Overall, the manifesto’s treatment of state’s extractive function was a difficult balancing act. But, pronouncement of a resolve to “overhaul the tax system and bring about changes which will lead to fair practices, rational tax slab, curtailment of discretionary powers and growth of business and industry,” was clearly indicative of elite’s infiltration in PPP’s decision-making core. Outright articulation of elitist demands of pushing extractive function further into facilitation mode from enforcement mode, commitment to reviewing wealth tax laws, and curtailment of discretionary powers of tax administration were unambiguous indications that PPP that had kick-started as potent pro-poor force just a couple of decades ago was no more so; it was now a typical pro status quo party both in tone and tenor. When PPP returned to power after the elections, the policy choices that it exercised with regard to extractive function validated the premise full well.

Manifesto – 1990

When the establishment-sponsored maneuvering had PPP booted out of power, it was hardly half way through with its constitutionally-sanctioned five-year term. There were, of course, multiple factors at work behind this unceremonial early exit, but the most glaring one was Mian Nawaz Sharif’s ruling of Punjab with contempt and arrogance bordering on insolence to federal government. There was a general perception that industrial elite and business elite who, despite PPP’s efforts to win them over, had neither forgiven PPP for its expropriatory overtures of 1970s, nor were ready to trust it with their future, were fomenting anarchy, hatching conspiracies, and forming and financing anti-PPP alliances and plots. The realization of intensity, and complexity of hostility that PPP faced in late 1980s, was stunning and devastating for its own think tank.

The pendulum moved quickly to the other extreme ignoring, nay sacrificing, both feudal elite and plebs – PPP’s traditional forte. In the run up to 1990 elections, when PPP came up with its manifesto, its intellectual transformation had taken a complete volte face. The very passage outlining PPP’s vision of the state’s extractive function was captioned as “*Traders / Business Community*.” This was not yet all. PPP went overboard to appease the target client stating that “Essential problems being faced by the trading community are the unreal and impracticable tax laws and a corrupt government machinery to implement them,” and that it “firmly believes that the future prosperity of the country is rooted in the success or failure of the business community.”⁶⁶ In order to operationalize its vision of the state’s extractive arm, the manifesto proposed firstly, “To minimize corruption in the income tax department, the discretionary powers of the assessing officers;” and secondly to bring about “Changes in the existing income tax, custom and excise schedules” to render them “simple and less prone to bureaucratic meddling.”⁶⁷ Through these measures, PPP gullibly hoped to “enlarge the tax pool, ensure widespread compliance and reduce corruption by government officials.”⁶⁸

⁶⁵ Ibid.

⁶⁶ "Manifesto-1990," <http://www.ppp.org.pk/manifestos/1990.html>.

⁶⁷ Ibid.

⁶⁸ Ibid.

Such an esoteric attempt on part of PPP to neutralize an overwhelming support of industrial elite and business elite for its rival PML-N, which was an avowed champion and protector of their interests, triggered an incessant and indecent “race to the bottom” whereby both leading political parties scrambled to win over the same set of electorates and their lavish donations by offering them more and more incentives on the one and same account – extractive system. When PML-N won both race and elections, industrial and business elites had turned out to be the biggest spoils-takers as all major policy choices exercised were aimed at promoting economic status quo and enhancing their own perverse agenda. In the process, however, the state’s critically most important function had hit its rock bottom.

Manifesto - 1993

PPP’s manifesto entitled “Public-Private Partnership: An Agenda for Change,” was released in preparation to 1993 general elections conceptualizing its vision of state’s extractive function under caption “Tax Reforms.” Manifesto argued that “Tax reform should form a component of broader fiscal reform targeted at stabilization and adjustment process as well defense and development needs.”⁶⁹ In the same vein, it looked to accord a greater role to extractive function than mere revenue collection. “Raising per capita income must therefore be paramount goal of Pakistan’s economic policy; and, by the same token, it must be given central emphasis in the formulation of tax reform.”⁷⁰ Party expressed its frustration with industrial elite and business elite by making an attempt to win back feudal elite. The caretaker government installed to conduct general election had tried to impose tax on agricultural income, which manifesto promised to “review,” arguing that “agriculture is denied the benefit of international prices for agricultural products which is a form of income transfer and tax,” and therefore it was imperative to “ensure a fair return to the farmer, increased output and reasonable prices.”⁷¹

Putting its own estimates of tax evasion at Rs. 100 billion, which it thought was sufficient to plug budget deficit, PPP made all the right diagnostics. It averred that “all tax reform can be frustrated by the inadequacy of the data and information base, by administrative weaknesses, by insufficient political will, and interference with the tax administration.” In order to overcome these problems, manifesto suggested increasing tax compliance “through research, registration and improved collection procedures,” as well as through “simplification of complex tax laws and procedures to eliminate exclusions, preferences and special interest,” and by placing emphasis “on better collection instead of new taxes.”⁷²

In the manifesto, PPP ended up proposing Presumptive Tax Regime (PTR) which was to haunt the state’s extractive function for all times to come. It propounded “to expand the system of collection of tax at source as final discharge of tax liability to as many other assesseees as possible,” and individuals and partnership firms engaged in business and profession of Law, Architecture, Auditing, Medical, Consultancy, Brokerage and Commission, Indenting, and

⁶⁹ "Manifesto-1993," <http://www.ppp.org.pk/pppchange/manifestos/manifesto1993.pdf>.

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² Ibid.

Transport, were proposed to be included in PTR – in addition to many others.⁷³ The argument advanced in support of the extension of PTR was that “simple tax of 5% on the gross receipts of such businesses as final discharge of tax liability will not only save a large segment of the population from the harassment at the hands of the assessing officials but shall also result in an increase in tax revenues.”⁷⁴ PPP-diagnosed inflictions continue to persist and the remedies that it had suggested and were also implemented – a comprehensive PTR – have also become inflictions in their own right.

Manifesto – 1997

Back-end establishmentarian machinations and political wrangling, yet once again, had PPP government chucked out of power in 1997 with snap elections being called for later that year. PPP manifesto – 1997, captioned as “Economic Agenda 1997-2002,” on one the hand, highlighted its achievements of 1993-96 term i.e. “...substantial reduction in fiscal deficits, implementation of basic reforms in tax structure, extension of sales tax, lowering of import tariff from 110% to 55%, first ever imposition of wealth tax on agriculture,”⁷⁵ and on the other, ventured to equate tax evasion with a host of other problems like “theft of utilities, default on repayment of bank loans , misuse of state funds and resources, open embezzlements” through which, it argued, affluent class “consolidate their wealth and power at the cost of the nation.”⁷⁶ The manifesto – 1997 exhorted to “Increase tax revenues by a vigorous pursuit of tax evaders and a search for undeclared assets abroad.” It also propounded that “tax system will be streamlined and the number of tax payers increased,” and that there “will also be a vigorous pursuit of cases in the courts system where billions of rupees are held up...”⁷⁷ The problems like narrow tax base, undeclared assets abroad, and over-all tax evasion were rightly pointed out but sans any strategy or roadmap to overcome them. One only wonders why efforts were not made to resolve these issues when PPP was in power. Interestingly, whenever PPP is recently out of power and carries with it incumbency burden, it tends to talk of strengthening the system and capacitate it to perform its functions.

Manifesto – 2002

PPP’s manifesto – 2002 consisting of 15 pages did not contain word “tax.”⁷⁸

Manifesto – 2008

When 2008 elections appeared on the horizon, PPP still looked looking for clarity vis-à-vis the role, scope and centrality of extraction within the given set of imperatives of state governance. PPP’s vision of Pakistan’s extractive system as evidenced through its manifesto – 2008, though a classic compendium of normative-theoretical principles on how an ideal tax system should perform and be structured, had nothing to do with ground realities of the country. The manifesto

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ "Manifesto-1997," <http://www.ppp.org.pk/manifestos/1997/conclusion.html>.

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ "Manifesto-2002," <http://www.ppp.org.pk/manifestos/2002.html>.

recognizing “that Tax/GDP needs to be increased to provide adequate resources for providing good quality services to all people and for Pakistan to have the necessary infrastructure to sustain high growth,” promised “to overhaul the taxation system and bring about changes which will lead to fair practices, rational tax slab, curtailment of discretionary powers and growth of business and industry,” without, in fact, clearly outlining a plan to roll-out these changes.”⁷⁹ PPP further committed “itself to rationalizing the taxation system so that the burden of tax on the poor and low income groups is reduced, while at the same time Tax/GDP ratio is increased ...to provide adequate resources for providing good quality services to all people and for Pakistan to have the necessary infrastructure to sustain high growth.”⁸⁰ Likewise, the manifesto indicated to make extractive system “tax-payer friendly so that voluntary compliance is enhanced.” Finally, PPP vowed to undertake “bold initiatives ... emphasizing better collection and expanding the tax net, especially to those that can afford to pay,”⁸¹ without again indicating as to what could possibly be those bold initiatives.

PPP, soaring on sympathy wave of its leader Benazir Bhutto’s assassination during the election campaign managed to grab enough number of seats in National Assembly to assume lead role in the coalition-formation process. ANP, JUP-F, and MQM, which obtained significant number of seats in KP, and Sind, joined hands. The coalition was able to complete its constitutionally prescribed five-year term – quite an achievement in its own right in the turbulent political morass of Pakistan. On fiscal front, as could be predicted at the onset, the manifesto that had sounded hopelessly run-of-the-mill, replete with stock-jargons, and couched in typical pro-elites phraseology, did not help PPP do anything noteworthy. Ad-hocism – the very hall-mark of PPP government in all respects was most pronouncedly visible on the management of revenue administration, too. Chairmen, FBR were appointed, one after other, in a most dismissive mode. Five generalists of all shades and hues were appointed to head the state’s extractive function in a most callous and reckless fashion during PPP’s 5-year term in office. Resultantly, first time in Pakistan’s history, tax-to-GDP ratio hit rock-bottom and came to hover around 8.5 per cent; it stayed there till the regime’s tenure came to an end in 2013.

Manifesto – 2013

PPP’s manifesto – 2013 was an incumbent government’s position paper on the country’s future. This was, as a political party, PPP’s fourth term in power. In the context of extractive amphitheater, at least, it appeared that by now, if nothing else, it had, learned to create, as a survival tactic, a balancing act between powerful vested interests and imperatives of state functioning. It could thus afford to be a real thick and well thought-out piece of public policy conceptualization. Manifesto, brazenly eulogized PPP government’s achievement of outgoing term, tactfully tried to explain its failures, and outlined a blurred vision of Pakistan’s tax system for next five years. It promised: -

“We will raise our low tax-to-GDP ratio to 15 per cent by 2017, bringing into the tax net all sectors of the economy. During our current term, we raised tax revenues from 1 trillion rupees in 2008 to more than 2 trillion rupees in 2013. In our next term we will further curtail revenue leakages as a result of exemptions, loopholes, inequitable statutory

⁷⁹ "Manifesto-2008," <http://www.ppp.org.pk/manifestos/2008.pdf>.

⁸⁰ Ibid.

⁸¹ Ibid.

regulatory orders (SROs) and under-reporting, with an effective auditing system. We will also use the NADRA database to **tax the high-consuming non-taxpaying elites**,⁸² increasing the number of taxpayers to 5 million by 2014. We will complement this initiative by **revising subsidies**⁸³ provided to electricity, gas and petrol users, targeting only low income groups.”⁸⁴

Moreover, manifesto looked to build a “new social contract.” It also committed to “provide a tax credit to those low-cost housing schemes that use alternative energy as a primary source of power,” offer “tax breaks to young entrepreneurs,” and exempt “from customs duties and taxes all capital goods imported for the development and maintenance of Special Economic Zone,” and empower “provinces to levy sales tax on services.”⁸⁵ The document was deftly contrived. While hopes-hung-in-future were calculated in percentile terms, past performance was measured in absolute numbers. The pledge to “further curtail revenue leakages” was not nested in the party’s track-record or verifiable performance who had ruled for full length of five years. The threat of using “NADRA database to tax the high-consuming non-taxpaying elites” – no more than a sham bluff – had already so frequently been used without ever being backed up by action, and practically carried no semantic value for anybody – media, citizenry, extractive administration; particularly elites. The only area wherein PPP government excelled was facilitation and elimination of subsidies, but both these trends fitted well into the theoretical framework which assumes that elitist state consistently endeavors to shift its fiscal load from patricians to plebeians. The electorate gave its verdict against shallow hopes and hollow promises, as all coalition partners saw their electoral strength evaporate into thin air – except MQM whose support base was ideologically committed rather than rationally motivated.

PPP regime’s upshot was transference of taxing rights to provinces through Eighteenth Amendment to the Constitution on a few counts. This was an elitist touchdown. Taxing rights on taxation of services and real estate assets were expressly devolved to Provinces. This fragmented the state’s fiscal base in such a way that extraction which was already a difficult option – now became almost impossible. Interestingly, all political forces exhibited complete consensus on this matter with media taking usual bait in the name of provincial autonomy and devolution of powers to provinces and to people. Ironically, powers that were devolved by the federation for onward devolution to districts were never actually devolved. Not to speak of devolution of fiscal powers, Political parties have been resisting holding of local bodies elections tooth and nail since 2008. One only wonders should common man forming bulk of Pakistan’s populace be provided with basic amenities of life, would it concern him if the revenue financing those amenities was collected by federal or a provincial government. In a way, perhaps provincial autonomy may pretty much be an elitist fad and affair.⁸⁶

⁸² Emphasis as per the original text.

⁸³ Emphasis as per the original text.

⁸⁴ PPP, “Manifesto-2013,” <http://www.ppp.org.pk/pppchange/manifestos/manifesto2013.pdf>.

⁸⁵ Ibid.

⁸⁶ For an illuminating discussion on the issue, see Anwar Shah, “The 18th Constitutional Amendment: Glue or Solvent for Nation Building and Citizenship in Pakistan,” *The Lahore Journal of Economics* 17, no. SE (2012).

Pakistan Muslim League-Nawaz

Pakistan Muslim League-Nawaz (PML-N) – an offshoot of Pakistan Muslim League that played critical lead role towards creation of Pakistan in 1947 under leadership of Muhammad Ali Jinnah – is arguably second largest party with popular support base in Punjab and part of Khyber Pakhtunkhwa (KP), and owes its rejuvenation to military-dominated period of early 1980s. Quite contrary to the fact that since 1985, it has won electoral victories one after the other both at national and provincial levels, to date it has formulated and publicized only two manifestos i.e. in 2008 and 2013.⁸⁷ Although, PML-N appears to have spread its tentacles into rural area electorates by making significant gains in terms of number of seats scored, yet it is generally believed that it is predominantly represented and supported by industrial elite and business elite as well as urban middle class mostly of Punjab and KP with moderate right-wing leanings. PML-N's vision of Pakistan's extractive function is not much different from its lead competitors – including PPP.

Manifesto – 2008

PML's manifesto – 2008, on the very face of it, looks a casual piece of writing without much due diligence. The manifesto carrying a loud title “Pledge With Pakistan” is a near-perfect articulation of elitist agenda – particularly one promoted by industrial elite and business elite – historically bent upon promoting their own economic interests at any cost. PML-N's “Our Vision for Future” cross-cutting an ambitious agenda from “revival of genuine democracy” to “women,” states inside the very preamble that “agony and suffering of common-man has increased manifold due to the increased utility bills, and earn tax revenue” policy of government.⁸⁸ The agriculture sector has been devastated by increase in electricity charges, doubling of diesel prices, imposition of GST on fertilizers and pesticides, and failure of the government to maintain support prices.”⁸⁹ Admonishment for revenue system was carefully muffled and captioned as “Public Dignity” to unleash an utter assault. “Public servants belonging to civil-military bureaucracy have emerged as a new ruling elite class. The people, in general, and taxpayers, in particular, are humiliated every day. It is time to reverse the order. People are the real owners and the job of public servants is to serve them.”⁹⁰ In the same vein, under “Economic Reforms,” PML-N vowed that all “discriminatory and business unfriendly procedures, taxes, and tariffs shall be rationalized,” “GST, taxes, tariffs shall be streamlined ... for providing our businessmen a level playing field with their competitors,” “Multiple tax collection procedures shall be integrated into one window operation,” “Outstanding businessmen/exporters/taxpayers shall be given national medals and awards every year,” and “Agriculture taxes will be unified.”⁹¹ Though these policy log-lines were not backed up by any granularized operational plans yet it was predictable that PML-N could go to any length to appease its constituency – even at the expense of the state's governance imperatives.

⁸⁷ At least only two manifestos i.e. those released in 2008 and 2013 available in public domain including PML-N's official website - <http://www.pmln.org.pk>

⁸⁸ PML-N, "Manifesto-2008," http://www.pmln.org.pk/party/op_7_our-manifesto.pmln.

⁸⁹ Ibid.

⁹⁰ Ibid.

⁹¹ Ibid.

More importantly, the manifesto outlined PML-N's vision of "Tax Reforms" as a core objective of its agenda "to replace big-spending, high taxing, and over regulating government that now shackles the initiatives of Pakistani people."⁹² Party exhorted that any "real tax reform must be more fair, efficient, simple, and pro-growth," and that a "litmus test of an acceptable tax system is that it imposes the lowest possible costs of compliance, administration, and enforcement."⁹³ Manifesto upping the ante and changing its tone from terse to tough for the state's existing extractive system, harangued that "existing tax system is totally unacceptable on this basis," as its every "step is extremely complicated, requiring an enormous number of man-hours and millions of rupees in manpower, machinery, and paper costs."⁹⁴ PML-N promised to bring about a "tax revolution, not mere tax reforms," which, it reckoned, instead of focusing misdemeanor of a few particular tax officials, would reduce compliance, administration, and enforcement costs of tax laws through simple and a transparent tax regime."⁹⁵ PML-N also promised to substitute FBR with a "Pakistan Revenue Authority," shift emphasis to direct taxation, introduce a CNIC base tax system, simplify tax laws "to safeguard the taxpayers against harassment," put in place "one window collection system," so as to achieve "egalitarian distribution of wealth," broaden tax base, and render tax "compliance friendly."⁹⁶

In overall terms, the "vision" carrying all elitist leanings hinges on the same old abstract constructs like "reform" "simplification of (tax) laws", "reduction in tax rates", and friendliness of tax administration.⁹⁷ On the very face of it, the manifesto's tone was pretty antagonistic to the extractive administration itself. Much like its earlier two terms in office, PML-N appeared bellicose to the extant extractive system without realizing that when state's extractive function is hurt; state itself is hurt, which it was looking to govern.

Manifesto – 2013

In 2008 general elections PML-N lost at national level but was able to form government in the Punjab, wherein it performed reasonably well during its constitutionally prescribed term 2008-13. When 2013 elections approached, PML-N came up with its first well-thought out and well-written manifesto. The manifesto addressed extractive function under the caption "Tax Reforms."⁹⁸ Cognizant of its general perception that, as a political organization, it had fallen hostage to industrial elite and business elite – PML-N, at a conscious level, tried to dispel this impression. Party heralded that "structural drag on Pakistan's economy can only be addressed through deep seated and institutional reforms," though it believed "would be opposed by powerful interest groups and strong cartels."⁹⁹ Claiming that "PML-N not only has the ability to make these fundamental institutional reforms, but also the political will to confront the strong and powerful interest groups,"¹⁰⁰ asserted that "most important area where fundamental and structural reforms are required is in the area of taxation," as revenue collected by both federal

⁹² Ibid.

⁹³ Ibid.

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ Ibid.

⁹⁸ "Manifesto-2013," <http://www.pmln.org/pmln-manifesto-english/>.

⁹⁹ Ibid.

¹⁰⁰ Ibid.

and provincial governments will ultimately decide the level of spending on social sectors like education, health, housing and infrastructure development.¹⁰¹ Manifesto also took pains to eulogize PML-N's past achievements stating that when its government was summarily dismissed in 1999, tax to GDP ratio was 13.8 per cent which had nosedived to lowly 9 per cent in 2013, without actually elaborating that isolated spike in tax to GDP ratio in 1990s was, in fact, due to income-presumptivization of gross receipts – worst possible form of direct taxation which generated easy but perverted, unhealthy and stinking revenues. Without uttering a word on FTR, which now completely fettered the state's extractive function, party promised to raise tax to GDP ratio to 15 per cent by 2018, broaden tax base and bring informal economy into tax net – sans any actionable roadmap to actually realize it.

Main pillars of PML-N's "Tax Reform Program" were to "tax all income" and increase "dependence on direct taxes," enhance use of IT in administration of taxes, facilitate tax compliance, reduce tax rates, reform tax administration both at federal and provincial levels, publish annual tax directory, encourage provinces to increase their revenues, apply sales tax across the board and broaden its scope, take steps to curb "money laundering, and whitening of black of money," reduce number of taxes, and improve "process of self-assessment and audit compliance."¹⁰² All these axioms would sound music to the ears of Pakistani elites.

In the end, the manifesto mentioned of "sacred trust between the Government and the tax payers," and particularly pointed out that "unless and until the citizens are convinced that the taxes they pay will be properly utilized for the benefit of the common man, it will be difficult to achieve Pakistan's fiscal targets and macro-economic stability."¹⁰³ By taking such a position in its manifesto, PML-N, in fact, lent legitimacy to a perverse intellectual argument advanced to justify tax evasion. One would not need a deconstructionist to predict that PML-N's commitments – most if not all – were a mere political rhetoric meant only for public consumption and to win votes, and no way to harm, hurt or annoy its backyard, its constituency i.e. industrial elite and business elite.

Muttihada Qaumi Movement

Muttihada Qaumi Movement (MQM) was established as a secular political party under leadership of Altaf Hussain in 1984, to represent and protect the rights and interests of that section of population that had migrated to Pakistan in 1947 or afterwards. Thus, by extension, MQM represents urban middle class mostly located in Karachi, Hyderabad and other cities. MQM's potential voter is believed to be urban, educated, self-employed, or engaged in trade and industry. Although, MQM contested general elections in 1988, 1990, 1993, and 1997, yet its first manifesto available in public domain is the one released in 1998.

MQM has historically claimed that bulk of revenue collected in Pakistan is contributed by its constituency – around up to 70 per cent. Thus, it was understandable that MQM would speak for its own constituency. The manifesto carried three main traits. Firstly, and most significantly, as per practice and fashion, it took to battering tax administration by stating that "Due to the

¹⁰¹ Ibid.

¹⁰² Ibid.

¹⁰³ Ibid.

inadequate policies, billions of rupees find their way into the pockets of government officers and bureaucrats rather than the government treasury,” and proposing that “for the collection of taxes in a better way, and to eliminate corruption immediate steps should be taken to formulate a simple and effective system where room for corruption is minimized.”¹⁰⁴ Secondly, by leveraging the first argument, that is, mass-level rent-seeking tendencies in extraction administrators, a case was built for further simplification of the system itself. “What is immediately needed is to establish an effective and simple system which will tend to minimize the tax burden upon the people on the one hand but controlling tax evasion on the other, thereby, creating an increase in tax recovery.”¹⁰⁵ Thirdly, MQM advancing serious concerns of its constituency about inequitable distribution of tax burden in Pakistan, raised its voice for taxation of income from agriculture, by underscoring a necessity “to extend the tax recovery framework to all classes of society with the aim of increasing State income and reducing the burden upon poor people,” and simultaneously avoiding “unnecessary burden upon a particular class or a few classes.”¹⁰⁶

It is quite a widely acknowledged fact that MQM’s voter is relatively more rational but equally more committed to its party and leadership. Such is also a perception that irrespective of party manifestos, the position taken by the party in those manifestos upon various issues, and even irrespective of MQM government’s performance both at the federal level and provincial levels does neither change its voter’s loyalty pattern nor his voting decision – at least, its core voter.

Manifesto – 2008

MQM had supported military-led political dispensation during 2002-07, both at federal and provincial levels. Therefore, MQM’s manifesto, in many respects, would have to be taken as carrying an incumbency burden. Manifesto itself turned out to be pretty dull, drab and bland affair. It reiterated same ordinary, unimaginative and standard vision of the state’s fiscal function. Captioning itself as “Financial and Fiscal Measures” the manifesto exhorted to increase “ratio of direct taxes to indirect taxes,” and render National Finance Commission more independent but only after General Sales Tax and Federal Excise Duty had been devolved and assigned in favor of provinces.¹⁰⁷ A simple dissection of the document would reveal that these formulations are generally based on weak foundations. The devolution of powers to impose sales tax (on services) and on capital to provinces through 18th amendment to the constitution had confederate-libertarian undertones that MQM had always been championing. However, under existing state structure, devolution is all set to have adverse impact on the country’s extractive outcomes.

Manifesto – 2013

MQM’s manifesto – 2013 entitled as “Empowering People” – a comprehensive document conceptualizing the party’s vision of Pakistan, did not, intriguingly, dwell upon the state’s revenue function at length; it made a short work of it.¹⁰⁸ Upfront curtly stating “No representation

¹⁰⁴ MQM, "Manifesto-1998," <http://www.mqm.org/manifesto/manifesto-contents-1998.htm>.

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ "Manifesto-2008," <http://www.mqm.org/English-News/Nov-2009/manifesto2008.htm>.

¹⁰⁸ "Manifesto-2013," <http://www.mqm.org/Assets/MQM-Manifesto-2013-Eng.pdf>.

without taxation,” MQM raised its voice on non-payment of taxes by public representatives.¹⁰⁹ MQM also reiterated its demand “to introduce tax on agriculture income through necessary constitutional amendment,” as well as to reduce “incidence of indirect taxes and such levies to provide relief to a common man.”¹¹⁰ MQM has progressively learned how to run with a rabbit and hunt with a hound.

Pakistan Tehrik-e-Insaf

Pakistan Tehreek-e-Insaf (PTI) is a centre-right political party founded by cricketer-turned-philanthropist-turned-politician Imran Khan in 1996. PTI historically attempts to build its image as an anti-status quo political outfit propagating Pakistan as a modern egalitarian democratic Islamic welfare state. It also claims to be the only non-family political venture in Pakistan. Given its ideological-political leanings, it was expected of PTI to raise its voice for justice – including economic justice. PTI despite having been on the political scene for little under two decades is still considered an urban middle-class political work-in-progress.

Manifesto – 2002

PTI’s manifesto – 2002, professing high ideal of justice for common man, good governance, and national sovereignty, elaborately outlined its typically elitist vision of “Tax Reform” hitting out at “complexity of the tax law” as “single most important factor responsible for most of the revenue losses.”¹¹¹ Manifesto harangued that “current tax system is indefensible,” as it “is complex, burdensome, and severely limits economic opportunity.”¹¹² PTI’s philosophy, it was claimed, was “to encourage and motivate citizens to create wealth and share part of their hard earned income by paying tax at a lower rate.”¹¹³ PTI also committed to “introduce a tax system that is fair, flatter, and simpler,” in phases “reduce federal taxes to five in all at reasonable rates,” professionalize and autonomize state’s revenue administration, shift emphasis from “indirect to direct taxation” thereby reducing burden off the shoulders of the common man, “simplify the tax system by eliminating unnecessary paperwork,” simplify “tax system that allows people to compute their taxes easily, for example on the Internet, without the need for a lawyer or an accountant,” and eliminate imbedded culture of allowing tax exemptions to special interest groups through SROs and other means.¹¹⁴ Manifesto also lacks clarity, and appears to have been released without much thought and hard work. In a nutshell, manifesto is a hodge-podge of archaic and progressive, elitist and non-elitist vision-bits yoked together compulsively but not buttressed by any doable and implementable action plan.

¹⁰⁹ Ibid.

¹¹⁰ Ibid.

¹¹¹ PTI, "Manifesto-2002," <http://www.insaf.pk/AboutUs/Manifesto/tabid/138/Default.aspx>.

¹¹² Ibid.

¹¹³ Ibid.

¹¹⁴ Ibid.

Manifesto - 2013

Interestingly, PTI's manifesto – 2013 just repeats its vision of “Tax Reform” which it nurtured eleven years ago in 2002, which very fact speaks volumes about the importance and centrality being accorded to the state's revenue function.¹¹⁵

Sundry Political Parties

Other small political parties – both mainstream and regional – have either no manifesto in public domain or do not take any meaningful position on the nation's extractive system – sans perhaps being out of their area of interest and focus. Pakistan Muslim League-Quaid-e-Azam (PML-Q) was successful in keeping the word “tax” out of its manifesto released in 2002.¹¹⁶ PML-Q won general elections held in 2002 and resultantly formed the ruling coalition in consequence thereto in combine with military elite. Awami National Party (ANP)'s manifesto merely laments that the “federation abolished octroi taxes on the promise of providing 2.5% of sales tax revenues to local governments,” whereby provinces “lost claim to sales tax,” and therefore, it sought compensation under the new National Finance Commission Award for KP.”¹¹⁷ It would thus not be incorrect to infer that ANP's vision of Pakistan's revenue function is confined to seeking compensation under the NFC in lieu of octroi taxes.”¹¹⁸ Jamat-e-Islami does not find the state's extractive function worthy of any coherent and meaningful debate in its manifesto.¹¹⁹ Theoretically, manifestos being avowed party positions on various issues of national importance, are supposed to be well thought-out, well-conceived, and expectedly well-written, too, and outlining a political party's vision of a state in various respects. Internationally, thus political parties and their leadership accord high importance to the framing of manifestos not only because they facilitate their potential voter to cast his vote but also because political parties can be held accountable to their pre-election commitments and put to socio-politico-electoral audit.

Major deviations from the positions taken in the manifestos on part of the political parties can be equated with betrayal of ballot. However, preceding debate falsifies the theory's application in Pakistan's context. In Pakistan, political parties write what might sell better to the voter and not because they and their leadership necessarily believes in it. At times, manifestos are mere pack of words, if not lies, as political parties write what they please, and do what might not have anything to do with what is written. Interestingly, there is no socio-political audit of political parties either by media, civil society, and most importantly by the electorates themselves – and not at all by the opposition – for understandable reasons i.e. perverse elitist consensus.

(ii) *Institutional Amnesia*

While it may be true that few political parties in Pakistan understand true importance of state's extractive function by allocating required amount of resources to critically study various dimensions of the revenue system's malaise and take a considered position in that regard as

¹¹⁵ "Manifesto-2013," http://www.cpd-pakistan.org/wp-content/uploads/2013/05/PTI_Manifesto_2013.pdf.

¹¹⁶ PML-Q, "Manifesto-2007," <http://www.pml.org.pk/details.aspx?id>.

¹¹⁷ ANP, "Manifesto-2004," <http://awaminationalparty.org/news/index.php>.

¹¹⁸ Ibid.

¹¹⁹ Jamat-e-Islami, "Manifesto," <http://forum.urduworld.com/f101/jamat-e-islami-pakistan-336246/>.

reflected in their manifestos, situation is not much different in respect of other institutions, too, particularly those which originally evolved under the colonial governance system and culture, and whose internal procedure and working culture was reasonably developed by 1947.

Planning Commission's strategy paper entitled "Pakistan: New Growth Framework" conceptualized "Tax Reforms" in terms of amendments to tax laws "to limit the discretionary power of the Federal Board of Revenue and improve administration, auditing system and tax refunds system;" simplification of tax system "by creating one-window cells for tax registrations at the sub-national level to cater to all taxes" – federal, provincial and local; unify "NTN and GST registration to one Tax Registration Number through amendments" in relevant tax laws; improve "technology and e-governance strategies to facilitate tax registration and tax filing system;" and modify "tax laws to include deadlines for speedy disposal of pending and new court cases."¹²⁰ None of the reforms recommended by Planning Commission talks in terms of quality enhancement of tax administration's human resource; injection of new human capital; establishment of national information aggregation system to backstop revenue effort; insulation of apex revenue agency from generalist forays to keep morale of the Service and workforce at a reasonably high level; injection of adequate logistics by increasing investment in revenue administration; elimination of blatant pro-elite bias from within tax policy, and putting in place a standardized and transparent mechanism of interest group management i.e. rules of engagement between the state and interests into which the society divides itself. Although coming from an ultimate professional think-tank i.e. nation's Planning Commission, yet both diagnosis and prescription continue to be over-beaten pronouncedly lacking construct validity. The overlap between the Strategy Paper and the political parties' manifestos is precisely equal to the institutional decay and degeneration emanating from their consistent corrosive denial to recognize governance imperatives of the state with reasonable degree of exactitude.

Pakistan, in fact, is the same polity in which until as late as early-1990s, the annual budget speeches would primarily revolve around taxation measures. Each and every taxation measure – whether taken on or off the tax statutes – was elaborated upon in the parliament's budget session or in live telecast made to the nation alongwith its implementation design, rationale, expected implications for various sectors of economy, and revenue-tag that it carried. Such is no more the case. Of late, budget speeches have tended to be as brief as possible touching only upon a summary of revenue measures and with least mention of implications for revenue, taxpayers, and the extractive system. It is true that a bias of the ruling structures in favor of expenditure function has always been there but with the passage of time it is becoming more and more obvious, pronounced and reflecting itself through multiple means. For instance, in the Budget Speech 2010-11, Minister of State for Finance spoke a total of 120 words to elaborate upon changes in tax laws and revenue implications thereof. The bulk of the Speech was consumed by eulogizing achievements of the government and allocations under various expenditure heads. Likewise, *Pakistan Economic Survey*, which every year, publishes around 15 chapters on various facets of Pakistan's economy from environment to communications, now affords to write merely 50 words on sources of financing for all these activities. *Pakistan Economic Survey* 2010 carried only a paragraph on direct taxes and three paragraphs on taxation under all heads.¹²¹

¹²⁰ GOP, "Pakistan: New Growth Framework ", ed. Planning Commission (Islamabad 2011).

¹²¹ "Pakistan Economic Survey," ed. Ministry of Finance (Islamabad2010).

(iii) *Intellectual Para-praxis*

Pakistani intelligentsia has also played its due role towards providing an intellectual camouflage to the real malaise inflicting the state structure and its functioning. Most work done on Pakistan's economy, economic history, and public policy has conveniently tended to either completely ignore its extractive function as a subject of concern or superficially touch it by adding a ceremonial chapter or sub-chapter on revenue. Pasha dilating upon Resource Mobilization and Tax Reform Commission¹²² (RMTRC)'s success takes government something external to and separate from its extractive system. One of "key elements of governance capacity which contributed to successful reform" according to him was "a government which was able to adequately articulate the need for the particular reforms as part of its overall vision of social and economic change and to successfully project to the general population the losers from the reform (tax evaders and income tax officials) as the 'devils' of the system who had exploited the laws and led to a breakdown of the tax machinery, implying a slackening of the overall fiscal efforts."¹²³ He goes on to accentuate that "tax department was effectively bypassed by the handing over the responsibility of development and implementation...of proposals to the RMTRC and with actual responsibilities of collection shifting to large public sector and corporate entities."¹²⁴ Not only that Pasha went overboard to equate and put "tax evaders and income tax officials" in same league, that is, "losers" and "devils," it must also go down as most uniquely conceived and implemented tax reform in the annals of reforms anywhere in world – a reform conceived and implemented without the knowledge, input and help of very target of reform – the revenue system. One wonders over the contours of Pasha's state which is sans an extractive function; or at best the one run by voluntary contribution by citizens or taxpayers.¹²⁵

In the same vein, Refaqt championing elitist cause appreciatively stated that "government bypassed the income tax department by setting up the RMTRC as the main body of reform, which was empowered to set up the strategy for revenue mobilization and was also given powers to implement this strategy."¹²⁶ Agreeing with RMTRC's overtures to (a) rely on withholding taxing and (b) "effectively bypass the income tax department," legitimizes a spurious elitist foray at the state's key function.¹²⁷ Pakistan Institute of Legislative Development and Transparency (PILDAT) – an Islamabad based NGO striving to "strengthen and sustain democracy and democratic institutions in Pakistan," in 2002, chartered an important study to compare and contrast election manifestos of all major political parties "with the aim of simplifying the choices available to the voters in terms of programmes of major political parties."¹²⁸ The initiative was "structured in such a way to encompass, cover, and evaluate only those issues that are important for the general public," namely "economic, social, political, defense and foreign relations."¹²⁹

¹²² For details, see "The Resource Mobilization and Tax Reforms Commission Report," (Islamabad: Ministry of Finance, 1994).

¹²³ Hafiz A. Pasha, "Political Economy of Tax Reforms: The Pakistan Experience," *Pakistan Journal of Applied Economics* v11, no. n1-2 (1995): 9.

¹²⁴ *Ibid.*, 8.

¹²⁵ Hafiz A. Pasha attained cooption when he was appointed Pakistan's Finance Minister in 1996.

¹²⁶ Saadia Refaqt, *Social Incidence of Indirect Taxation in Pakistan (1990-2001)* (University of Bath, 2008), 25.

¹²⁷ *Ibid.*, 26.

¹²⁸ PILDAT, "Election 2002 - a Comparative Study of Election Manifestos of Major Political Parties," <http://www.pildat.org/Publications>.

¹²⁹ *Ibid.*

These issues were further examined on the basis of fourteen (14) sub-subjects such as unemployment, high cost of living, poverty alleviation, national debt retirement, and agriculture development and management of water resources under economic issues.”¹³⁰ Intriguingly, PILDAT did not find the state’s revenue function to be an issue ‘important for the general public.’¹³¹ In 2008, PILDAT yet once again did not find revenue administration worthy of inclusion in their identical study when Pakistan was already running a tax to GDP ratio that was by far the lowest in the world.¹³² Thumping success of elites in controlling the state’s revenue policy formulation process and effectively rigging its enforcement arm at will and repeatedly, partly also emanates from their ability to sell spurious arguments and justifications without any weighty and logical counter-explanations advanced by Pakistan’s intelligentsia. The rot appears to have beset across the board – without exception.

In 2006, a large-scale perception survey of civil servants was spearheaded and conducted by Nadeem-ul-Haq¹³³ on a significantly large universe, which focused “on nine ‘Civil Services of Pakistan (CSP)’ groups, viz. Audit and Accounts Services; Secretariat; Police Service of Pakistan; Office Management (OMG); District Management (DMG); Information; Commerce and Trade; Customs and Excise; and Foreign Services.”¹³⁴ Intriguingly, Inland Revenue Service – the state’s extractive arm attained prominence through omission from enlistment of civil services of Pakistan. If IRS’s omission from main reckoning was not good enough the study hastened to add a footnote stating that because of time constraints and other compulsions, remaining civil service cadres like “Pakistan Railways, and the Postal Group,” could not be included in the study.¹³⁵

(iv) Media and civil society

The phenomenal growth of media in Pakistan over the recent past has become an important variable inside Pakistan’s polity in many respects but primarily in respect of impacting and influencing public perception on issues of national import – perhaps more important than in most countries. Such a powerful and vibrant media could have played an instrumental role towards strengthening of state’s extractive arm, but it failed miserably. To be fair perhaps media as an institution never actually attained enough maturity and rigorousness to first understand the centrality of a functional revenue system as an inexorable state imperative, and then identify glitches in its smooth functioning as well as friction and resistance faced by it, and present notions to resolve and overcome them.

¹³⁰ Ibid.

¹³¹ Ibid.

¹³² "Election 2008 - a Comparative Analysis of Election 2008 Manifestos of Major Political Parties," <http://www.pildat.org/Publications>.

¹³³ Nadeem-Ul-Haq attained cooption when he was appointed Deputy Chairman, Planning Commission of Pakistan, during PPP-led coalition government in 2009 with a status of Federal Minister. Not surprisingly, Haq was also taken as a member of Fiscal Monitoring Committee formed by Federal Government to oversee performance of FBR, and, by implication, that of IRS that collected about 90% of total national tax revenues. Haq was a torchbearer of efforts to implement VAT or its diluted version in Reformed General Sales Taxes (RGST) on prescriptions of World Bank and IMF, under gentile Chairmen, FBR.

¹³⁴ Refaat.

¹³⁵ Nadeem-ul-Haq et al, "Perception Survey of Civil Servants: A Preliminary Report," *Pakistan Development Review* 45, no. 4 (2006).

It is not that Pakistan media do not highlight matters concerning the revenue system; they do. However, neither time allocated for the purpose nor the level of analysis is at a desired adequate level, due to which factor Pakistani media might be guilty of promoting elitist interest and perpetuating existing asymmetrical economic status quo on the polity. For instance, when estate duty (inheritance tax), gift tax, and wealth tax were abolished in 1979, 1985, and 2000, respectively, neither a dirge was composed, nor an elegy chronicled on these massive fiscal disasters for the state. Who gifts, who bequeaths, who inherits, and who has wealth? Pakistani media were never there to decipher angularly coded explanations for such pro status quo policy choices. No doubt Pakistani media has invariably borrowed national narrative on revenue from elites. The powerless plebeians lacking in consciousness, understanding and organization could never raise a rally to protest inter-generational injustice perpetuating and cementing. Media conveniently cooperated with the ruling coalitions to recycle and re-churn elitist explanations and transmitted them for public consumption legitimizing revenue system's incapacity in terms of insufficiency of available policy tools. Media effort, more often than not, was buttressed and backstopped by religious elites providing ideological explanations to policy choices of dubious credentials being Islamic. Thus, media churning out ruling coalitions' elitist policy choices with a varnish of piety and religious certification without putting them to an independent critical scrutiny doused masses into accepting those otherwise anti-people policies – to ultimate advantage of elites. Role played by civil society is neither less intriguing nor different from the media's in this context.

Section VI

State-Building and Disaggregation Approach

There is now almost a consensus amongst scholars of politics that state is non-monolithic, non-unitary entity. A state is believed to be composed of various components performing its avowed functions. "Like a human body, a state is composed of a set of organs meant to perform certain function."¹³⁶ The connection between a state's structural components and its functions may be defined as "a complex apparatus of centralized and institutionalized power that concentrates violence, establishes property rights, and regulates society within a given territory while being formally recognized as a state by international forums."¹³⁷ An irresistible conclusion thus follows that while sum total of the state institutions' strength would constitute strength of state itself, capacity of individual institutions may in *strength* and *scope*. Fukuyama proposes adopting disaggregation approach to analyzing strength of a state in terms of the sum of the strength of all of state institutions.¹³⁸ Applying Fukuyama's analytical framework to Pakistan, it can be premised that while its coercive function attained strength both in terms of strength and scope, its extractive function has stunted. The relative strength of Pakistan's coercive and extractive functions can be depicted through following picture.

¹³⁶ Ayesha Siddiqa-Agha, *Military Inc. : Inside Pakistan's Military Economy* (London; Ann Arbor, MI: Pluto Press, 2007), 30.

¹³⁷ Margaret Levi (2002) "The State of the Study of the State," in Ira Katznelson, Helen V. Milner, and Association American Political Science, *Political Science : State of the Discipline* (New York; Washington, D.C.: W.W. Norton; American Political Science Assn., 2002).

¹³⁸ Fukuyama.

Disaggregation Institutional Approach to State-Strength

| | | |
|------------------------|---------------------|----|
| Institutional Strength | III | I |
| | IV | II |
| | Institutional Scope | |

The strength of a given institution has to be seen in conjunction with its scope, and both, generally speaking, may have an inverse relationship. While Quadrant I reflects ideal scenario for an institution where its coverage and strength are maximum, and Quadrant II and III reflect trade-off between an extra notch of scope and strength, Quadrant IV is reflective of an undesirable position where its strength and coverage are at minimum. Hypothetically speaking, pending systematic empirical attestation and validation, Pakistan’s coercive function (i.e. external coercive arm, in particular) would fall in Quadrant I, whereas its extractive function (FBR) in Quadrant IV. This is an unsustainable position in the long run. While a word on Pakistan’s external extractive arm would not be required per se, FBR-IRS’s scope of physical presence is confined to twelve cities only, and its strength could be gauged from the fact that it has practically not captured a single delinquent and tried for non-payment of state taxes over the past 66 years. Although such a scenario amply proves state’s extractive arm’s powerlessness bordering on its near-non-existence, yet its impact is massively accentuated and heightened by non-recognition of such an infirmity as a serious malaise inflicting the state on part of ruling coalitions.

Conclusion

Foregoing deliberations amply reveal that Pakistan’s institutions and organizations into which society loosely divides itself, attach far too low an importance to the state’s extraction function. This very factor is critically vital as it is this very significance that eventually helps the state determine the level of investment into its extractive system and adequacy of policy and enforcement handles to be placed at its command to undertake extractive operations – which, in turn, determine the state’s final tax-take. It is now abundantly understandable that against a world-average 3 per cent, Pakistan’s tax collection cost is 0.73 per cent, which when further segregated between PCS and IRS works out at 0.33 per cent for latter – an agency which is responsible to conduct state’s entire inland extractive function. Interestingly, such was not the scenario at independence when the colonial state allocated full required amount of resources to its extractive arm. It was observed as far back as 1960 that “For the Central Government the cost

of collection of taxes is roughly 3%,” and as a “proportion of total expenditure, the cost of collection of taxes has declines from 3.77% in 1949-50 to 3.12% in 1957-58,”¹³⁹ to amply indicate corrosive degenerative process that had seemingly set in by then – finally bringing it down to such presently unsustainable levels. Likewise, while a comment on the equity of Pakistan’s tax policy may not be required – the lack of it being too obvious – adequacy of enforcement handles placed at revenue system’s command could be gauged from the fact that to-date not a single tax delinquent has been convicted and consigned to gaol, which logically means either everybody must be paying his tax liability full well or state machinery must be deficient in terms of enforcement wherewithal and enabling legal gear.

The discussion on political parties and their manifestos divulged some interesting insights. Firstly, primarily from electorates’ perspective, it appears that manifestos are pretty much irrelevant as far as political parties’ realizable electoral strength is concerned. A political party might win an election (or part of it) with a worst manifesto, or lose it with a best one; it might even win or lose an election without a manifesto. Secondly, in a post-election scenario, a government’s conduct is never compared or contrasted in relation to the manifestos of political parties that under-grid it. This lack of tendency on part of the electorates, media and civil society to audit sitting governments against their manifestos is, in fact, exacerbating and reinforcing manifesto’s irrelevance for both political parties and electorates.

Thirdly, irrelevance of manifestos for both pre- and post-election phases, induces dissonance and disinterestedness on part of political parties for rigorous manifesto-framing and their earnest implementation. It is thus not unexpected if some political parties just tend to reprint that part of their decade old manifestos which pertains to country’s revenue function.¹⁴⁰ It is, of course, logical that a party’s position might not change for a long time on an issue, that is, as long as the issue itself is not resolved, but the reprinting of the same text after a decade also betrays its interest and commitment to that issue. Fourthly, when elections are over, and political parties form or sit in opposition, they show no respect and reverence to their own position taken on various issues in manifestos. Likewise, Pakistani media, civil society, and intelligentsia have historically tended to put up a dangerously oversimplified demeanor to as complex a phenomenon as state’s revenue function. Party positions on matters of extraction having implications for both state and society are not dissected and analyzed in a rigorous fashion. They rather get carried away by and attracted to populist sloganeering. In the same manner, there is an institutional alienation, apathy, and detachment to the issues pertaining to extraction, in rather a dismissive manner. Apart from a few isolated studies sponsored by IFIs on various aspects of revenue system, Pakistan’s research landscape on extraction is near-stale and barren.

It may be a misfortune of massive proportions but political parties in Pakistan are no more ideologically anchored – not, at least, in any starkly conflicting manner. Most, if not all, political parties, at least since mid-1980s onwards, tend to exhibit identical ideological leanings. This ideological crisscross bordering semantic hollowness if not shallowness renders the political landscape of Pakistan interesting to watch but difficult to put to a rigorous analysis and draw out meaningful conclusions. In a way, all political parties appear trying to play to the gallery and

¹³⁹ GOP, "The Taxation Enquiry Committee Report (Volume 1)," (Karachi: Ministry of Finance, 1960), 24.

¹⁴⁰ PTI, for instance, reprinted its 2002-manifesto's part pertaining to extractive function in its manifesto-2013 - without, whatsoever, any changes.

appease elites or some elite faction(s). Lack of ideological polarity and a desire to play on the same popular turf has stopped, in a Hegelian sense, forward march of history in Pakistan, which, in turn, has stifled enhancement of the state, its various functions, and progression of political process thereby effectively drying up both polity and society on availability of alternatives. It has now become a base, perverse, lowly “race to the bottom,” that is, which party appeases elites more than others and wins their support towards formation of government. Accordingly, now when all political parties are engaged in turf-grabbing and not turf developing, their manifestos sound and mean similar if not identical. If, for instance, one were to take out names of political parties from manifestos – 2013, even a connoisseur on Pakistan politics would not be able to correctly point out as to which manifesto belonged to which political party. If polity has attained a state of thesis (a basely consensus), and which persists for too long a time and does not explode to generate an anti-thesis – has, in fact, attained a state of stagnation, which if not disturbed – sooner than later – bearing of new ideas or re-bearing of the old ones – both society and polity would have lost ideological balance – such a must to ensure that they are alive.

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