

## **The Governance Approach**

Pakistan's multifaceted crisis has led to considerable public discussion. The financial fragility of the country has forced the government to sign yet another stringent agreement with the International Monetary Fund (IMF), slash public spending, restrict imports, allow a rapid currency depreciation, and re-introduce capital controls. Yet, the risk of default is ever present. In the meantime, the economy is reeling, growth is at a standstill, inflation is soaring, poverty is on the rise, and the gulf between the haves and have-nots has widened dramatically.

The crisis is not only in the economic domain. Political polarisation and extremism have reached unprecedented heights, while trust in all public institutions (including the Parliament, the judiciary, the military, and the media) has plummeted to new depths. Terrorism has again begun to raise its ugly head, and incidents of ordinary crime have risen significantly.

Worse is the intellectual paralysis, a pervasive sense that no one has an answer. Most proposed remedies were tried repeatedly in the past without sustained success. Critics of the IMF programme argue, correctly, that it subjects the weakest segments of society to unbearable hardship. However, the critics rarely offer plausible and reassuring alternatives. Protagonists point to the irresponsible overspending by past rulers as a justification for belt tightening in order to restore international credit worthiness as well as fiscal and payments balances. Yet, they too do not propose anything that would avoid endless repetitions of this pattern.

It is worth recalling that Latin American countries experienced a similar period of intellectual stalemate in the 1980s, the so-called lost decade of development when the debt crisis, inflation, depreciation, fiscal squeeze, and capital controls led to a prolonged period of hardship. International Financial Institutions (IFIs) focused on overspending and proposed the Washington Consensus as a response, notwithstanding its harmful social impacts. An alternative response, which emerged at the same time, focused not on the spending gaps but on 'governance', namely on the mode and manner in which society governed itself. The solutions sought to restore and strengthen national governance, both to enhance accountability and efficiency of the state and reinstitute financial and social discipline in accordance with democratic norms.

This session will examine the potential of the governance approach to address Pakistan's multifaceted crisis. It will draw attention to the interconnection between the economic and political spheres, analyse the underlying political determinants of overspending and the economic imbalances, deconstruct the supposed link between democratic governance and economic crises, contrast the traditional, 'idealist' governance narrative with a modern, 'pragmatic' one, and suggest practical strategies for moving forward.

### **Panel Organisers**

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