Is PTI ready to take the step to glory:
The price for prosperity in Pakistan

By Dawood MAMOON †

Abstract. The paper presents a hypothetical scenario where Pakistan and India are able to resolve bilateral disputes including Kashmir and within a peaceful South Asia, Pakistan under next five years emerge as an economic power where there is no poverty.

Keywords. Prosperity, Welfare, Prices.

JEL. D60, I11, I30.

1. Introduction: Exchange rate parity and its benefits

Recently the World Bank held a conference that presented 100 years’ vision for Pakistan at 2047, when the country becomes one of the leading economies of South Asia and larger Asia (World Bank, 2019). Why wait for 2047, and why not make it all happen within the next 5 years under the stewardship of Imran Khan to bring Pakistan the glory that skipped Pakistan for last 70 years or so?

Assume that Imran Khan with due agreement with the people of Pakistan solves all bilateral issues with India including the Kashmir dispute within next couple of years. Of course the resolution to bilateral issues with India would also include due agreement of Indian government and its people. Once India the traditional rival, becomes a cooperative neighbor, Pakistan would start witnessing bilateral cooperation in trade and India’s support to Pakistani concerns in the region and the world. Let us talk about economics of cooperation. In a peaceful South Asia, Pakistan is able to increase its national competitiveness and exploit regional and global markets for its exports that include billions of people strong markets of India and China. As Pakistan nears the resolution of Kashmir dispute in the next couple of years, exports of Pakistan to India reach 10 billion dollars’ mark. Assume that CPEC and the encompassing Special Economic Zones are functional with strong industrial clusters between Pakistan, China and India, Pakistan enters into small scale and large scale manufacturing that boosts its exports to the rest of the world on account of 30 billion dollars.

A peaceful Pakistan, where already a multiethnic and multicultural dialogue would be started by PTI government within the population presents and opens its rich heritage to the outside world that attracts tourism that would reach to another 20 billion dollars in next 3 years.

† World Economic Survey Expert Group, Pakistan.
☎: +0092 311 5082056 ☎: dawoodmamoon96@gmail.com
Pakistani education and health institutions improve their services to the level that is practiced by private universities like Lahore University of Management Sciences or hospitals like ShaukatKhamnum Memorial Hospital and thus people within the South Asian Region and its immediate peripheries would come to Pakistan for education and treatment purposes bringing additional 10 billion dollars.

The oil and gas exploration in Pakistan becomes more successful and in next couple of years Pakistan’s spending on energy imports comes down significantly and the PTI government saves another 10 billion dollars in imports.

Notwithstanding the encompassing property boom and foreign investments in different sectors of the economy but nevertheless including all such, these assumptions would bring additional 100 billion dollars to Pakistani economy on annual basis, and thus it has a favorable effect on the exchange rate. By the time PTI government enters its fifth year of good governance, assume that Pakistani Rupee appreciates against dollar to an extent that 1 Rupee is equal to 2 US Dollars.

This assumed exchange rate is the moment of glory for Pakistani nation. First and foremost, this exchange rate means that there is zero poverty in Pakistan. The minimum wage in Pakistan is Rupees 15,000. In dollar terms that would now amount to 30,000 dollars per month. An unprecedented era of prosperity would enter Pakistan. For example, 30,000 dollars in current exchange rate that is 1 US dollar equal to 140 Pakistani rupees means nearly 4.2 million rupees per month that is an increase in wealth of 30 times for the minimum wage earners. Obviously the proposed exchange rate where there is a parity between US dollar and Pakistani Rupee with next five years is not a very realistic assumption but the readers can have an idea of a trend where influx of dollars in Pakistani economy due to a peaceful and vibrant South Asia creates an environment where Pakistani Rupee would appreciate and move towards parity with US dollar. Consequently, the improved purchasing power would mean that wage earners on average can now afford and consume better health, education, housing and social security for themselves and their families.

Exchange rate targeting towards parity with dominant currency is generally not a very conventional economic scheme but as the above lines show it has a potential to create an era of unprecedented prosperity in Pakistan when this simple tool has potential to achieve significant threshold of material and economic development. A strong currency means a stable and prosperous economy where purchasing power parity is improved to an extent that shows real and efficient ways of income convergence hypothesis that usually eludes countries like Pakistan in case of annual growth targeting with rates of Gross Domestic Product. The only disclaimer in realization and movement towards exchange rate parity between dollar and rupee is that generally this kind of currency valuations and appreciation in exchange of other dominant currency has been only witnessed in post-World War 2 in Europe and it is an exception to the
general rule being observed in developing countries of Asia, Africa or Latin America.

The only other question is whether the world, South Asia and most importantly Pakistan and India ready to pay the price for such prosperity arising from exchange rate parity that has a genesis in peace and resolution of Kashmir dispute.
References

Copyrights
Copyright for this article is retained by the author(s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (http://creativecommons.org/licenses/by-nc/4.0).