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# LEARNING JOURNAL UNIT 8

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*POLS 1503-01 GLOBALIZATION - AY2024-T3*



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## BREAKING THE CHAINS: WHAT A NATIONAL DEBT & FOREIGN AID WORSEN INEQUALITY IN PAKISTAN

In the heart of Islamabad, a mere stone's throw from the gleaming high-rises and opulent boutiques of the elite Diplomatic Enclave, lies the Kachi Abadi slum. A dystopian labyrinth of ramshackle shacks and makeshift tent cities, it's home to thousands of families struggling in abject poverty without reliable access to running water, electricity, or basic services.

This jarring divide - where unconscionable wealth and destitution exist side-by-side - is a visceral consequence of the vicious debt and inequality cycles gripping Pakistan. Despite claims of global economic institutions providing "assistance," their debt-leveraging and aid policies overwhelmingly enrich a small, powerful elite at the expense of immiserating the working masses (Shah & Muhammad, 2023).

## THE DEBT TRAP - HOW NATIONAL DEBTS CRIPPLE NATIONS

At its core, sovereign debt represents the money a country owes to external creditors after years of deficit spending. Nations often incur debt to finance critical investments in development, infrastructure, and public services that elevate the populace. However, excessive debt burdens - like Pakistan's current public debt of **\$127 billion equaling 71.3% of GDP** (Ministry of Finance | Government of Pakistan |, n.d.) - cripple that exact progress.

With each year, more and more public funds get siphoned away from healthcare, education, housing, and other vital services to pay the compounding interest owed to lenders. Currently, Pakistan shells out a staggering **40% of its revenues** (State Bank of Pakistan, 2021,22) just on interest payments. This vicious austerity cycle perpetuates itself:

- 1. National debt soars from overspending*
- 2. Budgets are slashed to pay creditors*
- 3. Public services deteriorate*
- 4. Citizens become impoverished*
- 5. Economic growth stagnates*
- 6. Government borrows even more to stay afloat*

#### EXAMPLES FROM REAL LIFE IN PAKISTAN:

While the nation's elites remain insulated, I've witnessed first-hand the traumatic impact of austerity on struggling communities. Once-thriving public libraries, clinics, and community centers in impoverished areas like Orangi Town and Lyari have shuttered due to budget cuts. Working class residents have lost access to resources that were lifelines to self-improvement and basic wellbeing.

#### UNEQUAL AID - THE NEOCOLONIAL STRINGS ATTACHED

Some argue that the solution is increased aid and debt relief from Western institutions like the World Bank and International Monetary Fund. But this devil's bargain of "assistance" perpetuates the exploitation through other means.

Any aid or debt restructuring comes with stringent conditions known as "structural adjustment" requirements, like:

- **Privatization** of state-owned enterprises
- **Deregulation** of industries and worker protections
- **Trade liberalization** that undercuts local businesses
- **Slashing public spending** on services.

Rather than a helping hands up, these neoliberal policies represent a cutting of the last social safety nets and forcing of corporate privatization fire-sales. They strip nations like Pakistan of economic sovereignty to determine their own paths.

The debt trap is a form of subjugation, modern-day colonialism that is resulting in the plundering and looting of the resources and economies of most of the developing world.

Far from lifting the poor, the structural adjustment playbook tends to concentrate more wealth and power among a small, corrupt comprador class that extracts resources for multinational corporations at a rapacious rate.

## INEQUALITY IN PAKISTAN - A STAGGERING DIVIDE

The poisonous impacts of debt and conditional aid have calcified Pakistan's economic stratification into an outrageous inequality gulf separating the ultra-rich from the destitute masses.

According to research by the Labor Education Pakistan (2023), the wealthiest 10% of Pakistanis now possess **66.5% of the total wealth**, more than the entire bottom 60% combined. On the flip side, upwards of 39% of Pakistanis live in abject poverty, trapped in slums and lacking access to electricity, sanitation, and basic public services (UNDP, 2021).

#### BOLD EXAMPLES OF INEQUALITY IN PAKISTAN I'VE WITNESSED:

- Children in Islamabad's posh sectors attend elite private academies like Roots and Lahore Grammar School, while classroom sizes in Peshawar's rural villages routinely exceed 50 students per instructor.
- A Punjabi feudal lord's birthday party featured a \$1 million bomb-proof car flown in from Germany, while over 800,000 in Thar went hungry due to famine.
- The lavish palaces and mega-mansions of the Sharif dynasty sit on sprawling estates in Raiwind, surrounded by the overcrowded Badami Bagh slums of economic refugees displaced by militancy.

This unconscionable divide is systematically perpetuated by Pakistan's dynastic, connected elite leveraging control over the levers of power to further enrich themselves through crony privatization, regressive policies, tax evasion and avoidance, and suppression of collective worker rights and organized labor (International Labour Organization in Pakistan, n.d.).

#### UNDP REPORT ON DEBT'S IMPACTS IN PAKISTAN

The devastating societal impacts of onerous debt burdens and neoliberal prescriptions are.

#### KEY FINDINGS ON PAKISTAN:

IMPACT AREA	STATISTICS
Poverty Rate	39%
Childhood Malnutrition	40.2%
Out – Of – School Children	22.8 million
Lack of Basic Sanitation	79 million lack access
Infant Mortality Rate	57 per 1,000 live births

The deleterious impact of debt burden on human welfare indicators provides an unequivocal imperative to pursue economic policies prioritizing social investment over excessive debt service (The Three Ps of Inequality: Power, People, and Policy Pakistan National Human Development Report, 2020.).

As the report powerfully argues, Pakistan's debt trap immiserates the public by cannibalizing funds that could provide for citizens' essential needs like healthcare, education, housing, clean water and more. Debt servicing is directly limiting the country's ability to make critical human capital investments.

## REGAINING SOVEREIGNTY & HUMAN DEVELOPMENT

Clearly, the neoliberal debt/aid model premised on perpetual austerity for the public good is a catastrophic failure. If Pakistan and other debt-entrapped nations wish to elevate their populaces, fundamental economic restructuring is required:

## POTENTIAL REFORMS:

- **Unconditional Debt Restructuring/Forgiveness** on terms benefiting the populace rather than unaccountable lenders.
- **Repudiate Illegitimate Debts** lent by kleptocratic regimes like Zia's that only benefited the elite.
- **Tax Billionaires & Multinationals Fairly** to fund public services & development.
- **Invest in Local Economies & Worker Rights** rather than extractive multinationals.
- **Expand Universal Public Services** like healthcare, education, housing and more.

Only by uplifting the poor and investing in human capital can Pakistan and other debtor nations hope to build truly sovereign, thriving, and equitable economies for their people. It's time to break this vicious debt/aid cycle perpetuating injustice.

The path forward will not be easy, as it means overturning a global financial architecture rigged in favor of major lenders and multinational capital. But the immense social and moral costs of inaction are too high - Pakistan's very human welfare and sustainable development depend on reshaping these exploitative, neo-colonial systems into ones that place citizen well-being over profits.

If nothing else, the peoples of Pakistan deserve real hope for a more just future beyond the crushing inequality. We must shatter the oppressive chains of debt once and for all.

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