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TFP Estimation for Pakistan: The Importance of the Collective Infrastructure to Feed the Poor

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Abstract

The world is in for profound change in the era of Globalisation. If the current situation in Pakistan was to be assessed, one could not just straight forwardly say, that technological progress has made the world a better world. Why is it that basic goods such as water, sanitation, shelter and food are still a luxury good? Pakistan still is one of those countries with the most malnourished people worldwide. In this context productivity studies play a leading role in explaining economic disparities across countries. A crisis hit country like Pakistan is facing great hardship in feeding its people; this is due to several factors that call for a deeper insight. The questions this piece of work tries to answer are, whether the agricultural output has been growing or decreasing over the selected period of study (1960–2004) and if efficiency levels have been the main determinants of growth or vice versa which determinants have been key to the demise in agricultural Total Factor Productivity. On the basis of the geometric index number theory the level and growth rate of agricultural Total Factor Productivity for Pakistan for the entire period from 1960–2007 is estimated. In order to test the contribution of Total Factor Productivity growth to economic improvement, inputs are not treated as exogenous. The findings of this paper indicate that the country has failed to grasp on the significant productivity increases following the green revolution era. An analysis into the determinants of the country's failure after the period following the 1970's is carried out to pinpoint the major determinants of the failure to increase agricultural output to feed the poor. The analysis of the country's collective infrastructure reveals the main determinants of failure being hidden in the political instability, the elitist political structure since independence in 1947 and corruption. Moreover, the utmost focus on the textile industry is found to be one key factor for a demise of the food capacity in the long run, as the agricultural sector as such was neglected especially by investments coming from the private sector.

Keywords: Feeding the poor, Pakistan, productivity, total factor productivity