

BOOK REVIEWS

Financial System and Economic Development – Pakistan 2011, Shakil Faruqi, Lahore: Lahore School of Economics, Vol.1, pp.1-480, Vol.2, pp.1-378.

The emerging organizational, structural, institutional as well as regulatory and policy developments relating to economic, finance and economic growth in an era of globalization for Pakistan is seen as important to an understanding of the transition from national financial markets to well integrated parts of the global market and of the implication of this process for the national economy. Shakil Faruqi's book – financial System and Economic Development – Pakistan (hereafter referred as FSED) is thus, a welcome addition to the field. This book seeks to examine the growing volume of integration between financial system and economic growth within globalization in developing countries, in general, and for Pakistan, in particular. Since no such book is available in the Pakistan's context, therefore the FSED offers, perhaps the most comprehensive descriptive statistics on recent trends in Pakistan's financial sectors available in one book. For anyone who would like to understand developments in financial sector of the country, this is indispensable reading. Indeed, it may be informative for all types of readers. The book's discussion is set against the issue of financial markets and makes it more than useful as a basic text book, for the general readers, research scholars, and students of business and finance.

The introductory chapter provides an overview about the role of financial system, its structure and importance for economic development of an economy. In Chapter II the author discusses the thematics, which takes care of some basic concepts, definition approaches of Macro-financial Analysis. The remaining chapters of the book look into the money and banking rationales including the relationship between interest rate and the economy, mobilization of savings, and deposits, and credit system of banking sector. The author actually try to bring all the concepts, even the micro ones at one place and also touches the Islamic banking realizing importance as the SBP has made it mandatory to have a branch of the Islamic banking for all banks.

Chapter seven requires our attention to the most important issue of the banking sector i.e., non-performing loans (NPL) which have become burden and problem for banks. This chapter discusses reason of NPL's and also that, why banks have now declined housing finance. As a heavy junk of NPL came from this sector, the total NPLs on housing loans were Rs.12.3 billion by the end of 2008, which increased to

about Rs.16 billion during 2009 and further to Rs.18.5 billion by December 2010, showing a continuous increase. The discussion on a very important banking issue, NPL's is positive but there is a shortfall of data in this section. The extent of NPL's of banks would have been value added. A table giving details of each banks NPL's data set would have added value to it by giving the extent of NPL of each bank, during the year.

The chapter on the issues of the priority sector finance in Pakistan includes all important sectors like housing finance, SME financing, Agriculture and Rural finance, export finance, micro-finance and, public and private infrastructure finance, which are very important issues.

The final chapter of the book discusses the Financial Reforms, Banking regulations and supervisions, banking performance with Basel, Accords I and II and CAMEL, the rating system. Volume I ends with the explanation of risk and profitability and managing financial system in the Post-Reform Era. As in the opener of Volume I the author warned the reader when he says, "This study is not to be perceived as an advisory brief for policy makers or regulatory authorities or how to manage financial system, replete with prescriptions and proposals, to it may be helpful to them in all their endeavors", True, the emphasis on the analysis of operations and mechanisms of financial system, fully justified, is based on spanning a fall decade of financial reforms and its transition.

Volume II of this book is all about "Financial Markets".

Inception of this volume also deal with Preliminaries that include Securities Markets basic concept like Bulls and Bears vs Boom and Bust and the applied concepts followed by the structure and functions of the Financial Markets. Following three, four chapters describes the participants and investors of the financial market, and the basic concepts and definition that are used, day to day functioning of this market like how trading takes place, its prerequisites, etc., what is derivative trading?, what are futures, options and swaps? The central focus of Volume II is to provide understanding of the students of financial markets in Pakistan in both the short-run and the long-run. Secondly the aim is to educate students about behavior functions of the Pakistani markets and analyze the reason of the behavior.

Money markets, foreign currency markets and capital markets are discussed in the Sixth Chapter. Chapter seven is all about capital market. The importance and functions of the regulatory body Securities and Exchange Control of Pakistan (SECP) are highlighted. Bond markets and stock markets are no less important. Details of these were taken care of in Chapters eight and nine with a brief historical perspective e.g., the boom years, and the cash (also why?) than how it received. How the market trends were affected by government policies and law and order conditions of the country and the factors like nuclear explosions during 1998 or events like 9/11 resulted in market slide. The final chapter of volume II addresses the concept/issue of globalization, capital flows and its importance/role in the financial system. The role of the private sector, an important issue is addressed. To understand

the management and mechanism of the financial system it is required to have the understanding of the systems operations/functions which this book suffices.

Financial system and Economic Development – Pakistan volume I and II is a timely publication, meaning that it brings together the various issues and concepts relating to the financial system and Economic Development which include money market, banking system, capital and stock markets, their regulatory framework, public and private investments even the issue of globalization, facing different economies at present.

To conclude, the book presents a valuable discussion on banking and financial system and financial markets. Almost every single aspect is covered, from the basics of structure, role and functions of financial system to the issues of capital and securities markets. Nearly all chapters provide rich material in the form of tables and statistics based on time series data published by State Bank of Pakistan. The researcher missed the applied side though the empirical work. This book also fills the gap as no comprehensive both on financial markets of Pakistan has been written. The material provided at the end of the book such as References, Index and Gloss is also very useful, especially for a common man and the students.

This book is a valuable addition to the relevant literature, especially of the way the process of financial system occurring in Pakistan. It is also written in a way that it surely serves the purpose of standard textbook for students of Economics and Finance and business. It will also be welcome by bankers and fresh entrants in the financial institutions. For researchers it will be a good reference guide to provide basic information, historical perspective with a comprehensive data set. The simple language and style will also attract attention of the lay-person, in general, as they can understand the text, concepts and educate themselves in the important field in the era of globalization (market friendly economics).

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Introduction to Water Resources and Environmental Issues, 2010, Karrie Lyn Pennington and Thomas V. Cech, Cambridge University Press, Cambridge, pp. x-457, n/p.

This book is a discussion on issues pertaining very vital natural resources, that is water and its environmental aspects. It provides a good understanding of fundamental knowledge of water on our planet to environmental and resource economists. The life on our planet is sustained by water, but its abundance or shortages both create fear. The socio-economic dynamics of developing or developed countries render available water too polluted to use. The ever growing population in less developed part of the globe and increasing industrialization in the middle income as well as higher income economies leave water resources highly contaminated and dangerously deplete their assimilative capacity.

The book, first examines water from global perspective and gives a detailed overview of water distribution across the globe. The interface of global water use and population issues are dealt with much precision, highlighting the impacts of adverse effects of human mismanagement of fresh water resources. The three classification levels have also been developed which are ecosystems, biomes and catchments or river basins. The determination of the role of water in the current situation and its historical account in terms of development of civilizations is an interesting part of this book. Various chapters in this book deal with the physical and scientific aspects of water like hydrological cycle, water quality and water chemistry with in-depth explanations of the types of pollutants and impacts.

From the economics point of view this text brings powerful insights to water management since most water professional economists receive limited training in it. This book offers a comprehensive development of water resource economics that is accessible to engineers and natural scientists as well as economists. The aim of many chapters is to build a practical platform for understanding and performing economic analysis using both theoretical and empirical tools. For environmental economist familiarity with microeconomics or natural resource economics is helpful, and most of the required water economics is presented and developed progressively in the text. Many water-based example calculations are included. Thus, the book can be used for independent research study as well as a course work.

The significant focus of this book is on the scarcity of water quantity (rather than the water quality). The authors have dealt with the subject of resource allocation, recognizing the peculiarities imposed by water, and expands the discussion to encompass time-defined matters such as ground water depletion. This discussion entails subjects as institutional economics, water law, how economics is used in policy and cost-benefit analysis, the roles of water marketing and water pricing, demand and supply estimation, privatization, and modeling with demand and

supply functions. As an aid to readers with specific interests, references to recent literature are given for all these topics.

Human beings have always been involved in evolving and adopting measures to control natural systems. The authors have explored these measures through the study of dams and structures. The significance of water reservoirs to tackle and overcome the problem of scarcity of water and the consequences of building huge water storage is explained in detail. The supply of clean drinking water is imperative for the health of any nation and it is people's right to get potable water. The chapter on water quality explore attempts to repair and restore damaged system. A detailed account of the natural sources of pollution as well as human-produced pollution is given which helps in developing an in-depth understanding of major causes of water contamination and its negative impacts. Water-borne diseases and the complexities of their control is being discussed reflecting on the ever increasing environmental degradation and its negative fall out effects.

An important area of discussion included in this book is water law with thorough arguments regarding water allocation controversies. The authors have dwelled upon the historical development of water allocation laws in few developed economies like USA and France, as well as, the developing countries like Egypt and China. The competing needs of water and its use in various sectors of any economy is a subject of tremendous importance and comprehensive policy making. Questions like who owns the water? who controls the water ? about which we as common and daily users of water in our lives, never pay heed to, are touched upon in this book. The authors have rightly identified water use by cities, industry and the environment as key conflicting interest sectors which have vital role in sustainable development. They have also termed groundwater contamination and depletion, drying up of rivers and polluted lakes as major disaster for living beings in the offing.

The focal point and interesting part of this book is about extensive deliberations on the role of federal, regional, state and local governments and their various agencies in regulating the pollution control system. Case studies from the USA illustrated as examples, show that environmental agencies authorized to control water pollution are mainly interested in competing for tax dollars. The government and the agencies could also contribute in abatement of pollution by adopting various incentive policies for polluters to achieve desired target of environmental quality.

The last chapter of the book gives a summarized account of state of the Earth's water resources and invite readers to ponder upon the future needs of this vital resource. The dependence of human life and life on the earth in general on clean water resources renders water and humans as inseparable features. The authors have also identified few areas of concern to be underlined and accomplished. For example, it is imperative on the part of decision makers to make informed decisions about environmental issues especially those involving water resources. It is also very important to understand the basics of the sciences and eco-system involving water resources. It is essential to understand that making decisions is never simple when people, profit, politics, the environment and water resources are involved.

This book is a good addition in the academic arena for better understanding of fundamental issues related to water resources and environment from the economists

view point. Readers with economics background would find it more useful to be acquainted with the historical evolution of issues related to water and developing the understanding of basic scientific facts about water. It provides a premise to thinkers and policy makers to be informed of the ground realities before indulging in to serious policy making about the most vital resource on earth.

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**Fundamentals of Sustainable Development,
Routledge, 2012, Niko Roorda, pp. 1-352**

Dominating development discourse, Washington asserts the absolute necessity of rapid economic growth in order to reduce poverty substantially, where growth results primarily via vibrant markets that also enable support of public funding for economic and social infrastructure (such as health and education, but also transfers for social protection). China is held up as an example par excellence. In this neo-liberal approach the alternative as significant redistribution of wealth is ignored or rejected as a route to poverty eradication, ignoring or glossing over the facts of starting with deep land reforms in China as in most of East Asia, that enable equitable growth. Citizens are increasingly questioning the social and ecological sustainability of rapid economic growth, both in China and elsewhere such as in India and Brazil. Resilience in livelihoods is increasingly stressed in the face of climate change. Could large-scale vulnerability be avoidable without serious redistribution of land ownership?

Can the Millennium Declaration ever become a reality without serious attention to ecology as a critical component of human security? Universal social protection is now accepted as a right, whose realisation is impossible if natural resources such as water and soil are increasingly degraded and depleted. Situated in the Karachi of Sindh, training and research at AERC can make a significant impact upon critical urban and rural demands of just and sustainable development. This will require not just add-on modules or stand-alone supplementary courses in standard economics. Our ecological and democratic crises require serious efforts to integrate ecosystem issues into the curricula. For example, macroeconomics generally and international economics in particular cannot continue to treat as side-effects the enormous marine degradation that follows expansion in fish exports. And teaching microeconomics must accord a central role to overfishing and by catch waste as rational behavior by

profit maximisers. If labour economics is to be useful to promote equity then its syllabi will have to expand towards livelihood economics which will remain woefully incomplete without attention to natural resources.

Roorda's (text) book comes along at the right time for the University of Karachi to innovate responsible and responsive training in economics. It is the kind of book that would be required reading in every course, in fact every discipline – quite comprehensive as an introduction to issues, and whetting the appetite to read more. Included are numerous case studies to illustrate that economic thinking is to be often rejected: since efficient is not necessarily effective and vice versa when ecosystems are recognized to embrace both humans and nature.

As Vandana Shiva put it very well some decades ago – when the economy of markets violates the economy of nature we tread a perilous path. Just think of the floods in Pakistan, and elsewhere, when the destructive consequence of heavy rains was created and magnified by consumption greed through dams, barrages, canals, industrial estates and other obstructions made in the natural path of rivers. There is much science to support the warning of further floods because of global warming, whose timing and location cannot be reliably forecast. And what is South Asia doing as disaster management? Creating more opportunity for disaster by 'strengthening' bunds and building more mega dams in both Pakistan and India!

Roorda's textbook contents may be briefly described as follows. Organized into eight chapters of not just what is but also what should and can be, the book presents numerous case studies across both the 'developed and developing' world. The entire book is useful reading, even in disagreement upon private and public action for promoting equitable responses in ecological responsibility. Deserving special recommendation are entire chapters 1 (Introduction), 6 (Now and Later), and 8 (Sustainable Business, optimistically) along with the following sections from remaining chapters. Section 2.6 summarises consequences for nature of the present world of production and consumption; section 3.5 is a concise bringing together of people, planet and profits. Section 4.8 argues for essential cooperation across society; section 5.5 extends to cooperation in international action for shared responsibility. Section 7.5 deals with political and economic instruments to reverse environmental degradation; though less critically than one would want. Several tables and figures stand out, including Table 3.6 and Figure 3.24 for considering both people and nature as parts of the same ecosystem. Table 6.1 is an overview of ecosystem services; Figures 7.5-6 illustrates feedbacks for climate change. Table 8.4 on required professional competency applies to both bureaucracy and business. Innovatively promised is a companion website offering additional material and a workbook, at www.routledge.com/cw/roorda. We have no doubt that it will not disappoint.

The author gives less space than deserved for eliminating extreme inequality in use of natural resources. Oddly, we found no substantive discussion of specific social -environmental interactions for women. Consider e.g. the damage to female reproductive systems of picking pesticide-laden cotton in Sanghar, and of those wading into polluted water around Baba and Bhit islands for obtaining mangrove branches as fuel. It cannot be stressed too often that existing and growing inequity is a major impediment to attaining ecological sustainability.

There is much talk of the disparity between nations but less attention is evident for disparity within countries: among regions and among people. An example is the dumping of waste from KP and Punjab into the Indus river: much of Sindh is adversely impacted, but an extreme, uncompensated, burden for the poor in, say, Badin district. With a very unequal distribution of upstream land ownership, it is obvious that it's their rich who benefit most from such pollution, specially by high subsidy in irrigation and a trivial income tax levy. The nasty LBOD project is an inter-provincial problem, but the recent RBOD project seems to be a devastation entirely created within Sindh. It is perverse love of motherland for nationalists to ignore our own crimes against nature and hence a war upon our people. Consider another example. Fisherfolk in Karachi are forced to eat chicken rather than fish because the cost of chicken is kept 'low' by using 'trash' fish as meal for chicken; and the price of premium fish remains high by subsidizing exports. Both encourage depletion of fish stocks.

All readers would gain from a subsequent look at other case materials. Obviously monographs from the IUCN and WWF, and also from the more progressive organisations of Sungi and SDPI, specially the annual conference reports of the latter. There is also much unpublished work – such as by Mushtaq Gaadi on Chashma and Taunsa irrigation systems, of Mustafa Talpur on the LBOD, and of our revered friend, the late Professor Muhammad Nauman on Chotiari reservoir in addition to the ILO publications on debt bondage in agriculture and industry.

Careful reflection will yield many questions but without pre-packaged answers. Such as what to do about expanding exports of cotton and textiles, whose production has terrible human – e.g. pesticide poisoning of women as pickers, unhealthy work conditions in power looms -- and ecological consequences -- in chemical pollution of soil and water. All of us have the responsibility to strengthen compliance with already strong legislation in the Environmental Protection Act but largely ignored by and repeatedly violated by both federal and provincial government themselves. In the current era of judicial activism we should consider serious effort at educating the judiciary as part of the ADB funded 'access to justice.'

Commentaries on international negotiations and national frameworks are an essential complement to the book. Critical weblinks include those of Jubilee South (e.g. ecological debt offsetting financial debt); Focus on the Global South (e.g. emissions, rights and capitalism); International Rivers Organisation (e.g. ecology of large dams); the UK based Corner House (e.g. climate change and the green economy); the Mumbai-based Economic & Political Weekly (e.g.); the Holland-based Transnational Institute (e.g. EU criteria for bio-fuels); UNDP's Human Development Report (e.g. sustainability and equity) and UNRISD (e.g. a new macroeconomics for poverty). The FAO is of special significance for South Asia in its attempts to regulate fisheries towards more equity and better conservation (e.g. on-going consultations to develop a code privileging subsistence and small-scale fisheries). For too long the world has ignored 'climate refugees' – a relatively recent monograph by the IOM attempts to reverse ignorance. Delhi-based SANDRP is a good source for exposing recklessness that underlies many a water project in South Asia, otherwise defended by deliberate distortions masquerading as Environmental Impact Assessment.

We all want a better world for our children and their children. Roorda compels us to reflect on the costs of not doing what we should, and the penalties for continuing to do that we should not do. Will Thar coal provide benefits that outweighs its costs? Which benefits for whom, and who will bear the environmental and social costs? Has ecological destruction in Swat been recognized in the War on Terror? In promoting migration of adult males that reduces local labour and rising incomes that become a disincentive for community conservation? Students at publicly funded institutions surely have a special responsibility to go beyond careerism by contributing to informed debate. Even mere self-interest should be a wake-up call, e.g. to interrogate the threats to potable water in Karachi from mis-governance in Sindh.

There is much ado about gaining favourable treatment by the EU to exports of textiles. This requires credible and transparent compliance with more than two dozen international conventions. AERC would be acting on its public service obligations to convince textile exporters that such compliance will remain incomplete as long as the textile supply chain blatantly violate Pakistan's environmental laws (against excessive use of fresh water and consequent massive river pollution), which deprives both current and future generations of natural resources for sustainable livelihoods (protected under e.g. the UN Covenant on Social and Economic Rights).

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Unsustainable Interactions (Roorda)

Consequences	Causes					
	People		Planet		Prosperity	
	Overpopulation	War and Violence	Climate change	Environmental degradation	Poverty and hunger	Resources exhausted
Overpopulation	Exponential growth	War refugees	Lower yield	Areas become uninhabitable due to environmental disasters	Children to provide in one's old age	Economic refugees
War and violence	Mutual aggressio (e.g. Rwanda)	Revenge	Wars for clean water	Resistance by primitive people	Armed resistance	Wars about ore-producing regions
Climate change	Rising production of greenhouse gases	Nuclear winter through radioactive fallout	Change of albedo	Deforestation leads to decrease in precipitation	Forest fires due to shortage of agricultural lands	Combustion of oil, gas, coal, etc.
Environmental degradation	Nature makes way for cities, roads and recreation	Defoliating substances (e.g. in Vietnam War)	Disruption of the ecosystem	Domino-effect due to ecosystem being unbalanced	Habitat loss	Extraction from oil sands
Poverty and hunger	Exhaustion of agricultural lands	Destruction of manufacturing resources and staff	Bad harvests	Reduction in fish catches	Debt burdens through loans	Mines exhausted
Resources exhausted	Ever-increasing number of people sharing resources	Destruction of infrastructure and buildings	Scarcity of fraesh water	Loss of natural materials	Loss of timber due to forest fires	More extensive exploitation due to price rises