

Economic Vision of Quaid-i-Azam Mohammad Ali Jinnah: 1947-48

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Jinnah had always been deeply concerned about the economic and industrial development of Muslim India. He had emerged as a leader of economic emancipation of Muslim businesses, enterprises and development of Muslim owned economic institutions. Such enterprises included the setting up of the Muhammadi steamship, orient airways, banks such as Habib Bank and Muslim Commercial Bank, Printing Press, English dailies, setting up of Muslim Chamber of Commerce and Federation of Muslim Chamber of Commerce and Industry.¹ In December 1943, Muslim League Economic-Planning Committee was established. It submitted its report in 1945 and data on the eco-potentialities of Pakistan areas continued uninterrupted till June/July 1946. The important thing is that Jinnah fully realized the importance of future economic development and planning and believed in being prepared before the occasion arises.² This paper attempts to explore the economic decision making and policy directives as given by Jinnah himself. It focuses on the economic achievements of Pakistan under Jinnah. The paper is divided in two parts. The first is dedicated to the first four months of Pakistan as an independent state from 14th August to 31st December, 1947 and the second part to the year 1948.

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1. See Naureen Talha, *Economic Factors in the Making of Pakistan* (Islamabad: Oxford University Press, 2000)

2. *Ibid.*

Jinnah's vision to tackle the economic problems of Pakistan and to achieve economic growth rested on 1) eradicating illiteracy at high pace as quickly as possible 2) provide the best possible training for technicians, scientists, businessmen, doctors, and civil servants with a view to develop Human Resources and for accelerating economic growth. This he said in an interview with Weldon James, 25th August 1947.³ In a letter dated 30 August 1947 Muslim Brotherhood Association showed interest in cooperation with Pakistan in the cultural, Islamic and economic domain.⁴ On the 18th September 1947 Muhammad Amin al-Hussaini wrote to Jinnah from Cairo that Pakistan Association has been formed at Cairo by the Muslims of Pakistan and Hindustan.

In Pakistan, as the Governor-General, he greatly encouraged the private sector to help in the economic development. In September 1947, he welcomed Aga Khan's offer of four million rupees for setting up two polytechnic institutions in Pakistan, on the lines of the famous Zurich polytechnic for providing higher scientific and technical education. He hoped to raise another crore of rupees internally for the same purpose.⁵ On 4th September, 1947 Aga Khan wrote to G.H. Hidayatullah⁶ offering 4 million rupees to be spent on buildings, getting scientific instruments and other capital expenditure, "while the up keep should be paid by Pakistan - half for Western and half for Eastern" Pakistan.⁷ The condition for West Pakistan was that this scientific polytechnic institution should be established in Karachi or Quetta.⁸ In East Pakistan Similar institution was to be set up between Dacca and Chittagong.⁹ These institutions were for scientific work, medicine being one of the subjects to be studied. The purpose for which Aga Khan extended financial help was to "turn out engineers, mining

3. Enclosure to 227, in Z.H. Zaidi, (ed.) *Jinnah Papers*, vol.V, Islamabad: Quaid-i-Azam Papers Project, National Archives of Pakistan, 2000, p.xvi.

4. *Ibid.*, p.160

5. *Ibid.*, p.xvi

6. F.143 (Part 1), G.G/2. See *Jinnah Papers*, vol.v.

7. *Ibid.*

8. *Ibid.*, p.230

9. *Ibid.*

and electrical specialists, agriculturists and the highest scientific research workers as well as chemical research workers for medicines and cures”.¹⁰

On 20th September 1947 Khawaja Nazimuddin wrote to Jinnah to persuade Mr. Ali Nawaz Jung from Hyderabad to come to East Pakistan and to become official adviser to Government for the Kurnaphuli Hydro-Electric Project near Chittagong. They were setting up an Industrial Planning and Power Development Board and wanted Ali Nawaz Jung to become as one of the members. Ali Nawaz Jung was one of the recognised experts on hydro electric projects and irrigation schemes. Both Jinnah and his government wanted the best qualified people to look after its development projects. Kurnaphuli Hydro Electric Project was to cost crores of rupees, it was essential to have the best and most reliable advice.¹¹ Jinnah wanted to have full particulars of this Hydro Electric Project so that it might be considered in all its bearings by the Ministry of Commerce, Industries, and Works. “After proper examination we can join our heads together and try to secure the services of an expert or experts to run the project”.¹² On 11th September, 1947 Jinnah wrote to Attlee, Churchill and Macmillan to introduce Mir Laik Ali, a reputed industrialist of Hyderabad to engage in exploratory talks in London for investment and industrial development in Pakistan and a possible loan to overcome the financial crunch.¹³ Mir Laik Ali was “one of the ablest heads of commercial and industrial life of the sub-continent and, ... controls and manages the biggest industries in Hyderabad.”¹⁴

One of his major aims was to give impetus to industrial development. On 25th August 1947, replying to the Civic address presented by the Karachi Corporation, Jinnah highlighted the importance of the city of Karachi and hoped that its airports and

10. *Ibid.*, pp.230-31.

11. *Ibid.*, pp.263-64.

12. F.167 (2)-GG/4, *Jinnah Papers*, vol.V, p.351.

13. *Ibid.*, pp.221-23.

14. *M.A. Jinnah to Clement Attlee*, F.32/5, *Ibid.*, p.221

Naval Ports will be amongst the finest.¹⁵ He had envisioned Pakistan as an industrially strong country similarly he wanted Karachi to become a great metropolis and “a centre of trade, industry and commerce and a seat of learning and culture”.¹⁶ In his address to the laying stone of the Valika Textile Mills Ltd. on the 26th September, 1947, he had the satisfaction that the foundation of the textile mills, which was the first of its kind, were being set up in Karachi soon after its creation.¹⁷ There was not a single textile mill in Karachi at the time of independence. On this occasion he emphasised once again the importance of industrialisation to Pakistan. He said “at present Pakistan is mostly an agricultural state and for manufactured goods, it is dependent upon the out side”.¹⁸ He therefore, emphasised that it must develop industrial potential side by side with its agriculture and give its economy and industrial bias. To Jinnah industrialization meant (a) decreased dependence on the outside world for necessities of life (b) more employment to the people of Pakistan (c) increase in the resources of the state). In his address to the Karachi Corporation on 25th August, 1947 and on the stone laying ceremony of the Valika Textile Mills Ltd. on 26th September, 1947, he laid importance to the development of science, commerce, trade and industry. He believed that the real strength and power of a state is its capacity to produce.¹⁹ Valika Textile Mills consisted of 25,000 spindles and 500 looms and was the first complete textile mill in Pakistan with a capital of Rs.75,00,000.²⁰ Archibald Rowlands, who had been Finance Member of the Viceroy’s Executive Council until 1946, was appointed by Jinnah as his adviser at the end of August, 1947, to study and recommend measures to put the economy of Pakistan

15. *Reply to the Civic address presented by the Karachi corporation on 25th August, 1947.*

16. *Ibid.*

17. *Speech on the Occasion of Laying the Foundation Stone of the Buildings of the Valika Textile Mills Ltd., on 26th September, 1947.*

18. *Ibid.*

19. Government of Pakistan, *Quaid-i-Azam Mohammad Ali Jinnah: Speeches and Statements 1947-48* (Islamabad: Ministry of Information and Broadcasting, 1989), p.21.

20. F.83-GG/20-1, *Jinnah Papers*, vol.v, p.200.

on a sound footing. Rowlands submitted the report on the finances and economics of Pakistan in November 1947. In his report he analysed that Pakistan's deficits were high but not unmanageable. He suggested 5 years postponement of schemes of social betterment and imposition of additional taxes including salt tax, general sales tax and agriculture income tax. He wanted the fares and rates to be increased especially in Railways.²¹

On the economic front he suggested that Pakistan should industrialize since Power is synonymous with industrial power. He analysed that output of Pakistan's agriculture was capable of being greatly increased. Travelling cinema could teach peasants improved methods of cultivation. This could be applied to more selected districts in each province. Fishing industry in Pakistan had scope to be developed, it was therefore to be encouraged and canning of sea products to be developed for valuable exports and foreign exchange. Similarly fruit canning industry could be developed in Pakistan. Cottage Industries needed to increase in scope. Jute, tobacco and tannery factories should be encouraged. Rowlands indicated that there was scope for secondary consumer goods industries. Pakistan should embark as rapidly as possible on a properly planned programme designed to manufacture in its own territories the products of its own raw materials for which there is an assured home market or which can rapidly be sold abroad. Heavy industries will have to come at the end of the planned industrialization as they are very costly to establish.²²

Pakistan started with no disposable cash other than its share of the cash balances of undivided India. At the date of partition these balances amounted to approximately 400 crores but the Hindustan Government could be persuaded to an allocation of only 20 crores.²³ Jinnah told Begum Shah Nawaz "only 20 crores rupees in the treasury and nearly rupees forty crores of bills lying on the

21. See Report by Sir Archibald Rowlands on "The Finances and Economics of Pakistan", Nov., 1947, (unpublished).

22. *Ibid.*

23. *Ibid.*, p.21.

table”.²⁴ In October 1947, Mir Laik Ali, (Jinnah’s intimate disciple in the Nizam’s inner circle) saw Mr. Jinnah in Lahore. He was told that the financial crises in Pakistan had deepened and there were hardly any money to meet the day to day expenses. India had withheld the agreed share of Reserve Bank’s cash balances amounting to Rs.55 crores. Jinnah clearly stated that India believed this financial blow would finish Pakistan.²⁵ An adequate loan to Pakistan from the Hyderabad State or the Nizam was asked by Mr. Jinnah. Mir Laik Ali describes Mr. Jinnah as being very emotional at that time:

Never in my life had I seen Mr. Jinnah emotional except at that day. He asked me if I had seen the refugees as I drove from the airport. I had of course. Tears rolled down his cheeks several times as he spoke of the mass human misery ... Soon after that Nizam sanctioned a loan of Rs.20 crores to Pakistan”.²⁶ The leaders of India were very angry and unsettled at this gesture of the Nizam.²⁷

If we survey the four months performance of Pakistan 14th August to 31st December 1947, we see as has been mentioned above, that Jinnah on every possible occasion gave clear road map to economic development.

Economic Achievements, 1948 (January-August)

I. Foreign Investment and Loans

Nobert Bagdam a vice President of Schroeder’s Banking Group in New York met with Mr. Jinnah in Karachi to discuss ways of bilateral arrangements plus possibility of extending loan to Pakistan.

Isphahani²⁸ appealed urgently for U.S. support both private as well as public. In March, 1948 Isphahani reported that:

24. Stanley Wolpert, *Jinnah of Pakistan* (New York: Oxford University Press, 1984), p.344.

25. *Ibid.*, p.345.

26. *Ibid.*, p.346

27. Hector Bolitho, *Jinnah Creator of Pakistan* (London: Hutchinson, 1954); Wolpert, p.358.

28. Isphahani, “I Remember” in *Quaid-i-Azam as seen by His Contemporaries* (Lahore: Publishers United, 1966).

- General Motors was interested in installing plants in Pakistan.
- The World Bank and Export Bank were less worried about international stability. They wanted to conduct proper surveys and reports before they committed any loans to Pakistan.

The response of the international financial organizations to Pakistan was positive. It was on the Quaid's initiative that Isphahani made contacts with the leading world sound financial organizations and Mir Laik Ali helped in the advance of a loan to save Pakistan in difficult financial conditions. On the opening ceremony of the Bengal Oil Mills on 2nd February, 1948, Jinnah said that every new mill or factory meant a step forward on the road to the economic stabilising of Pakistan and the prosperity of its people. He hoped that this mill will prove a precursor to many more enterprises for which there is so much scope.²⁹

In the same month in February, 1948 details of the actual development plans made in Pakistan under Jinnah were spelled out in his broadcast talk to the people of the United States of America on Pakistan. He talked about the constitution and Foreign Policy but the emphasis was on economic projects he initiated. He mentioned that a scheme of constructing two new barrages, one in Upper and other in Lower Sind was formulated. "Once they are completed, it is hoped that the total area under cultivation in Sind would increase to 12 million acres".³⁰ Plans were drawn up for developing the Jute trade in Pakistan and efforts were being made to import necessary plants for setting up jute mills in East Pakistan. He told that Mineral wealth needed exploitation and development. The blue-prints of a scheme for the rapid industrialization of both Western and Eastern Pakistan had already been drawn up. This exercise to find out economic potential of Pakistan was started by Jinnah in December 1943 under the Muslim League Planning Committee.

He informed that the Sind Government formulated a scheme of industrialization which was to cost about 130 million rupees, and it will take about four years to materialize. A sum of Rs.25 million

29. Speech on the Opening Ceremony of the Bengal Oil Mills, 2nd February 1948.

30. Broadcast talk to the people of the United States of America, recorded in February 1948.

was already sanctioned for the development of special industrial areas in Sind. Similarly he mentioned that other provinces in Pakistan were engaged in preparing vast and comprehensive schemes of industrialization. Karachi port was one of the busiest ports in Asia and he told that steps were also being taken to improve and develop Chittagong Port.³¹

On 26th March 1948, Jinnah spoke of the scheme of development of Chittagong at a public reception at Chittagong. These included large scale projects such as harnessing of Karnaphuli river, to control floods, silt, to help to irrigate fields and to develop deep hydro-electric power. Jinnah informed that necessary preliminary work for this purpose was being expedited and this project was on the priority list.³² On 28th March, 1948, on the Dacca Radio he again reiterated his determination to make East Pakistan the most prosperous in Pakistan.³³

One of the major achievements in the economic sphere was the presentation of new Pakistan coins and notes by the Finance Minister of Pakistan, on 1st April 1948. He had great satisfaction in announcing that Pakistan had its own currency. In his speech on the occasion Jinnah talked about the Hindu propaganda to deflect the Muslims from supporting Pakistan by saying that Pakistan was not feasible. Extremely dark pictures of the future of Pakistan and its financial and economic soundness were predicted.³⁴ Jinnah announced that the very first budget of Pakistan was a surplus one which demonstrated the soundness of Pakistan's finances and determination of its Government to make them more and more sound and strong.³⁵

31. *Ibid.*

32. Speech at the Public Reception Chittagong on 26th March 1948.

33. Broadcast speech from Radio Pakistan, Dacca, 28th March 1948.

34. Speech on the occasion of the presentation of new Pakistan Coins and Notes by the Finance Minister of Pakistan, 1st April, 1948.

35. Isphahani, p. 214.

II. Commercial and Industrialisation Policy of Pakistan

Jinnah believed commerce and trade to be the very life-blood of the Nation.³⁶ “I can no more visualize a Pakistan without traders then I can one without cultivators or civil servants”.³⁷

Jinnah in his reply to the address presented by the Karachi Chamber of Commerce, on April 27, 1948, gave outlines of Pakistan’s Commercial and Industrial policy. It was the policy of the government of Pakistan to let the channels of free trading flow as freely as possible. Cotton policy was liberal. India’s decision to decontrol cloth and refuse it to Pakistan except in return for cotton forced measures of regulation. All contracts made before 23 January 1948 by traders in Pakistan — national or foreign were honoured. The important feature of the policy was the introduction of open General License for the overseas trade. Through this scheme a wide range of goods from the commonwealth sterling countries could be imported without licensing. Quaid-i-Azam pointed out that the list of goods released from licensing would be kept under constant review with the object of expanding it. The proposal of importing from other soft currency areas was also under consideration. With regard to dollar exports and imports from hard currency countries licensing was to continue to protect the balance of payments. Quaid-i-Azam directed the Karachi Chamber of Commerce to direct and increase exports to dollar and hard currency countries. The government assured of all help in this way and was prepared to remove as many restrictions as possible. He wanted that the commodities in which Pakistan was rich should be exported to the world. He especially mentioned that cotton, jute, hides, skins and wool should be directed towards export.³⁸

The main points of the industrial and commercial policy formulated under Quaid-i-Azam were:³⁹

36. Khurshid Ahmad Khan Yousafi, (ed.), *Quaid-i-Azam Mohammad Ali Jinnah: Some Rare Speeches and Statements 1944-47* (Lahore: Research Society of Pakistan, 1988), vol.IV, p.2775.

37. *Ibid.*

38. *Ibid.*, pp.2766-2775.

39. Government of Pakistan, p. 252.

1. To associate individual initiative and private enterprise at every stage of industrialization.
2. To build the banking and financial mechanism, the bankers should repair and restore this vital sector.

Government reserved (a) arms and ammunition, (b) generation of Hydel Power, (c) manufacture of railways, wagons, telephone, telegraphs and wireless apparatus to itself. All other industrial activity was left open to private enterprise. The private enterprise was assured of every facility government can give for the development of industry in the country. To create conditions in which industry and trade may develop and prosper the government was to under take:

- i. Surveys of Pakistan's considerable resources of minerals.
- ii. Schemes for the development of country's water and power resources.
- iii. Plans for the improvement of transport services.
- iv. The establishment of ports.

An industrial finance corporation was to be set up. The aim of this undertaking was to create conditions in which industry and trade may develop side by side. The government had also announced concessions in income tax and depreciation for the establishment of new industrial enterprise.

Employment

To him the answer to settling the refugees was rapid industrialization which would open new avenues of employment for them.⁴⁰ Jinnah was of the view that the younger generation should not only concentrate on getting government service. New industries, new banks, new insurance companies, new commercial firms were opening up and the students, the younger generation was asked to grow with these institutions.⁴¹

Civil Aviation

Orient Airways was established at a very short notice. It gave vital air communications within Pakistan between East and West

40. *Ibid.*, p.130.

41. *Ibid.*

Pakistan, between Karachi and Delhi and between Karachi and Bombay. Talking to the Karachi Chamber of commerce he said that these arrangements had to be made on temporary basis. On 5th December 1947 government announced their air transport policy. Air transport was limited to two commercial airlines. It was to be selected for the operation of all scheduled services and was to be licensed by the government. The scheme for remodelling the East wharf and the provision of Naval Commercial Dry Docks was under active consideration of the government. He could foresee Karachi as one of the most modern port in Pakistan.⁴² In civil aviation, Pakistan was fortunate to have at Karachi, the best equipped airport in the East.

Under Jinnah's government, Pakistan made bilateral air transport agreements with USA, France, Netherlands, Iraq and also negotiated agreements with India and Ceylon.⁴³ To serve the civil aviation companies and the Royal air Force, it was proposed by Mr. Jinnah to establish a company at Karachi which would carry out major overhauls and repair of aircraft. The training of mechanics and maintenance engineers and other services which the airlines and the government may require were to be provided by such a company.⁴⁴

Railways

The traders and businessmen experienced uncertainty of booking restrictions. North Western Railways endeavoured to move as much traffic as possible with available resources. "In spite of the manifold difficulties created by inadequate supplies of coal from India, the refugee traffic, the numerous staff problems created by partition, the Railway administration as and when the position improved restored the facilities which had to be curtailed from time to time."⁴⁵

42. *Ibid.*, p.252.

43. *Ibid.*

44. *Ibid.*, pp.252-253

45. Speech by M. A. Jinnah to the Karachi Chamber of Commerce, 27 April 1948.

Construction

There was a shortage of residential and office accommodation. Mr. Jinnah said that “my government would like to see the business community take up a programme of large scale building construction in Karachi”.⁴⁶ There were vast open areas where buildings could be constructed with advantage. He pointed out that Pakistan had no shortage of building material such as cement and stone “though steel and timber are rather scarce”.⁴⁷ It was Jinnah’s vision that Pakistan should be reconstructed and built to reach mighty and glorious status.⁴⁸

III. State Bank of Pakistan

On 1st July, 1948, the State Bank of Pakistan was opened. To Mr. Jinnah “The opening of the State Bank of Pakistan symbolised the sovereignty of the state in the financial sphere”.⁴⁹ In spite of bedridden in Quetta, he made it a point to be personally present on the occasion of the inauguration of the State Bank of Pakistan.

Fatima Jinnah tried to dissuade Jinnah from making the journey to Karachi just for the opening ceremony of the state Bank. She suggested some one else to read out the speech he had prepared on his behalf.⁵⁰ Jinnah’s reply was “you know the Congress and the Hindus prophesied that Pakistan would be a bankrupt state that our people would not know how to run its commerce, industry, banking, shipping, insurance. We must prove, that we have the talent to run our country not only in the field of politics but also in finance and banking. So my presence is necessary”.⁵¹ At the opening ceremony of the Bank Mr. Jinnah emphasised the role of the State Bank in regulating the economic life of the country.⁵² He said “the monetary policy of the bank will have a direct bearing on our trade and commerce, both inside

46. *Ibid.*

47. Yousafi, p.2774.

48. *Ibid.*, p.2775.

49. Government of Pakistan, pp. 269-270.

50. Fatima Jinnah, *My Brother* (Karachi: Quaid-i-Azam Academy, 1987), p.21.

51. *Ibid.*, p.21.

52. Government of Pakistan, p.270.

Pakistan as with the outside world and it is only to be desired that your policy should encourage maximum production, and a free flow of trade".⁵³ He hoped that the State Bank's efforts would also be directed to stabilise price levels.

In his message to the Nation on the occasion of the first Anniversary of Pakistan on 14th of August 1948, he brought out the achievements of the first year which was a firm basis for optimism. He said "we have faced the year with courage, determination and imagination".⁵⁴ He acknowledged that one year is a brief period in the history of a state for finally assessing its progress or predicting its future. In this year tremendous difficulties were overcome and solid progress recorded during the 1st 12 months.

That a large number of the refugees had already been rehabilitated in their new homes was an achievement in itself.⁵⁵ Jinnah lashed out at the enemies of Pakistan "Our enemies yet hoped that economic manoeuvres would achieve the object they had at heart. they prophesied that Pakistan would be left bankrupt. And what the fire and sword of the enemy could not achieve, would be brought about by the ruined finances of the state. But these prophets of evil have been thoroughly discredited"⁵⁶

- Pakistan's first budget was a surplus one;
- there was a favourable balance of trade;
- and a steady and an all round improvement in the economic field.

If we survey the 13 months Governor Generalship of Quaid-i-Azam, it includes four months from June 1948 to September 1948 during which he was strictly confined to bed, yet he got up and performed certain important duties out of sheer willpower. We are left with nine months in which Quaid-i-Azam headed the infant

53. *Ibid.*

54. Government of Pakistan, p.157.

55. *Ibid.*, p. 158.

56. *Ibid.*, p. 158.

state of Pakistan. It goes, to his credit of sailing Pakistan through the first very critical year, of her existence.

Conclusion

Quaid-i-Azam had been ill since 1940. He had a mild nervous breakdown in April 1941.⁵⁷ In spite of his physical weakness his mind was active and alert, his spirit was undaunted. He continued to talk to Fatima Jinnah about (a) the new constitution, (b) Kashmir and the refugees,⁵⁸ on the economic front alone Quaid-i-Azam achieved very crucial things for Pakistan. The opening of the State Bank of Pakistan; Pakistan's own currency notes; its own airline; its independent and sound commercial and industrial policy; are some of the major economic accomplishments. Quaid's strategy towards industrialization and agriculture were balanced, the strategy he had worked out to solve the unemployment problem is also to be mentioned. Both Bolitho and Wolporte highlight Quaid's strategy for attracting foreign investments to Pakistan. Wolporte has done it better than Bolitho. Isphahani's article on the Quaid also throws light on the Founder of the Nation's interest in economic soundness of the country. Brigadier Noor Ahmad Hussain, last ADC to the Quaid in his reminiscences of M.A. Jinnah wrote that he worked for around 14 hours a day. "The usual day started at 8.30 a.m., included two to three interview of visitors. The greater part of the day and of the night was devoted to the affairs of the state".⁵⁹ He never rushed into decisions until all aspects of the matter were checked and verified.⁶⁰ What he has achieved for the Pakistanis in the shape of (a) getting Pakistan, (b) solving severe economic problems of the country in the first year are indisputable. His role in this regard should be lauded.

57. Fatimah Jinnah, p.7-8.

58. *Ibid.*, pp. 8-10.

59. Brigadier Noor Ahmad Hussain, "Reminiscences of Quaid-i-Azam's Last Aid-de-Camp" in Ahmad Hasan Dani (ed), *World Scholars on Quaid-i-Azam Mohammad Ali Jinnah* (Islamabad: Quaid-i-Azam University, 1979), p.308.

60. *Ibid.*