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DEBT OF HISTORY: COLONIALISM, NEOCOLONIALISM, AND THE POLITICAL ECONOMY OF PAKISTAN

Original Article

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ABSTRACT

This study explores Pakistan's contemporary economic crisis through a historical-analytical lens, arguing that it is not merely the product of corruption or poor governance but the outcome of a long-standing structural dependency rooted in colonial and neo-colonial dynamics. Using a documentary and historical analysis approach, the research examines how British colonial policies engineered economic underdevelopment by dismantling local industries, redirecting resources toward imperial interests, and institutionalizing patterns of extraction. Following independence, these inherited weaknesses deepened as Pakistan entered Cold War alliances and became reliant on Western aid and international financial institutions. The study situates this trajectory within Dependency Theory and World-Systems Theory, showing how external financial mechanisms—particularly IMF and World Bank conditionalities—transformed short-term borrowing into chronic indebtedness, eroding economic sovereignty and reinforcing authoritarian governance. The findings reveal that Pakistan's underdevelopment is historically constructed and sustained by global power asymmetries, rather than internal mismanagement alone. It concludes that breaking this cycle requires both domestic reform and the restructuring of global financial relations to prioritize national autonomy and equitable development.

Keywords: Colonial Underdevelopment, Dependency Theory, Neo-Colonialism, IMF Conditionalities, Pakistan Economy, Historical Analysis.

INTRODUCTION

The persistent economic turmoil in Pakistan has often been attributed to corruption, weak governance, and chronic fiscal mismanagement. While these explanations hold truth, they fail to capture the deeper historical forces that have structurally constrained the nation's economic trajectory (1,2). The roots of Pakistan's economic crisis can be traced to a colonial legacy of extraction and systemic underdevelopment, later perpetuated through neo-colonial mechanisms of financial dependency. This study therefore seeks to examine how colonial economic exploitation evolved into modern forms of neo-colonial control, manifesting through aid conditionalities, debt cycles, and the erosion of economic sovereignty (3). Colonialism was never confined to political domination; it was fundamentally an economic project designed to reorganize local economies to serve imperial interests. Historical analyses reveal that British colonial policies in the Indian subcontinent deliberately suppressed indigenous industries, drained capital, and redirected resources to sustain Britain's own growth. Utsa Patnaik estimated that Britain extracted nearly $45 trillion from India between 1765 and 1938 through exploitative taxation and trade imbalances, depriving the region of capital for domestic investment and infrastructure development (4-7). Economic historians such as Tirthankar Roy and Mike Davis have similarly argued that colonial economic restructuring promoted deindustrialization, impoverishment, and famine, dismantling pre-colonial systems of production and self-sufficiency (8,9). Consequently, when Pakistan emerged from partition in 1947, it inherited minimal industrial infrastructure and faced severe resource asymmetry, marking the beginning of a structurally fragile economy born from colonial exploitation (10).

However, independence did not liberate Pakistan from these entrenched dependencies. As Kwame Nkrumah articulated in *Neo-Colonialism: The Last Stage of Imperialism*, post-colonial nations often experience continued subjugation through financial and political instruments rather than direct rule (4,11). For Pakistan, the early post-independence years were characterized by heavy reliance on Western assistance, particularly from the United States, the International Monetary Fund (IMF), and the World Bank. Instead of fostering autonomy, such aid and loans came with strict conditionalities that limited industrial and fiscal independence. Ha-Joon Chang describes this global phenomenon as developed nations "kicking away the ladder," effectively obstructing developing economies from adopting the same protectionist and state-led strategies that enabled Western industrialization (12-14). The impact of these external dependencies extended beyond economics to shape the country's political fabric. Ayesha Jalal notes that early U.S. support during Pakistan's formative years reinforced authoritarianism, as military regimes often received greater aid in return for alignment with Cold War strategic interests (15,16). Similarly, Sadia Toor underscores how Western aid frameworks entrenched geopolitical dependency, subordinating domestic development priorities to external influence (17). As a result, Pakistan's economic decision-making has long been constrained by foreign debt obligations—evident in its repeated recourse to IMF bailout programs, exceeding twenty in number. These cycles of borrowing and conditionality have eroded state sovereignty, hindered long-term planning, and deepened economic vulnerability. Despite its political independence, Pakistan remains economically tethered to global financial powers, reflecting a transformation of colonial domination into neo-colonial dependency. The continuing crisis thus cannot be understood merely as a product of corruption or governance failures but as the culmination of historical processes that began under imperial rule and persist in modern financial systems. This study is to analyze how colonial economic exploitation in British India evolved into contemporary neo-colonial dependency through mechanisms of foreign aid, loans, and conditionalities, and to assess how this historical trajectory continues to shape Pakistan's current economic crisis.

COLONIAL HISTORY AND THE ROOTS OF UNDERDEVELOPMENT

The foundations of Pakistan's economic struggles lie deeply embedded in the colonial history of South Asia, where British rule transformed a previously dynamic regional economy into one structured for imperial extraction. The colonial state dismantled thriving local industries that once represented centers of prosperity, redirecting production toward raw materials that served British industrial interests. Amiya Kumar Bagchi explains that India's position as a leading textile exporter in the 18th century was systematically eroded, reducing it to a mere supplier of raw cotton for British factories by the 19th century (1). This transition was not accidental—it was a deliberate policy of deindustrialization designed to eliminate competition and secure markets for British goods. Agriculture underwent a parallel transformation, with local farmers coerced into cultivating export-oriented crops at the expense of food security. Grain was shipped abroad even during times of famine, deepening human suffering and intensifying vulnerability among rural populations. Mike Davis documents how these exploitative policies aggravated the late 19th-century famines, resulting in mass starvation and mortality while Britain continued to profit from exports (2). This economic order prioritized imperial gain over local welfare, producing a structure of extraction rather than sustainability. By the early 20th century, the Indian subcontinent's economy had stagnated. Angus Maddison observed that per capita income growth remained nearly static for two centuries, a stark contrast to Europe's industrial expansion (3). Colonial infrastructure investments were limited to railways and ports serving imperial interests, with negligible attention to education or local industry. As Tirthankar Roy notes, by 1947, industrial development across the region was far below potential, constrained by deliberate imperial policy (4). When Pakistan was created in 1947, it inherited only a fraction of the subcontinent's already weakened industrial base. Partition deepened structural inequities, leaving Pakistan without adequate industries, financial institutions, or infrastructure. Shahid Javed Burki emphasizes that at independence, the new state had only a handful of factories and lacked a functioning banking system (5). This scarcity meant that Pakistan began its economic journey with fragile foundations and was compelled to seek foreign assistance almost immediately. The underdevelopment inherited at partition was not a product of mismanagement alone but a structural legacy of colonialism that embedded dependency into the new nation's economic DNA.

THE CRISIS OF THE NEW STATE

At independence, Pakistan faced the monumental challenge of constructing an economy from scratch. With limited industry, scarce financial infrastructure, and overwhelming social needs—particularly the resettlement of refugees—the early years were characterized by improvisation under severe constraints. Ian Talbot describes this period as "improvisation under pressure," where state survival overshadowed long-term planning (6). The timing of independence coincided with the onset of the Cold War, which presented both opportunities and traps. For the United States, Pakistan's strategic geography offered an ally against Soviet influence. For Pakistan's leaders, foreign alignment appeared as a path to economic relief and national security. Hasan Zaheer argues that Pakistan's leadership perceived Western alliances as shortcuts to stability rather than as substitutes for internal reform (7). Consequently, foreign aid and military assistance began flowing rapidly into the country. However, external dependence soon shaped domestic structures. Craig Baxter notes that Pakistan entered aid partnerships without fully understanding the long-term implications for sovereignty (8). Institutions developed an outward orientation, relying on external advice and funding instead of nurturing indigenous capacity. Ayesha Jalal further contends that these early bargains with the U.S. compromised Pakistan's sovereignty in exchange for short-term political and economic stability (9). The military emerged as the dominant institution during this period, a process reinforced by international alliances. Aqil Shah illustrates how the army capitalized on foreign support to consolidate internal authority, while elected governments remained institutionally weak (10). Lawrence Ziring adds that U.S. endorsement of military regimes during the Cold War entrenched authoritarian tendencies that persisted long after (11). By the end of the 1950s, Pakistan's survival strategies had transformed into structural dependencies. As S. Akbar Zaidi explains, the choices made in these formative years bound Pakistan's economy to Cold War geopolitics, trading long-term autonomy for immediate stability (12). The pattern of relying on external aid for survival became institutionalized, setting the stage for decades of constrained economic sovereignty.

THE VICIOUS DEBT CYCLE

Initially intended as temporary relief, Pakistan's reliance on borrowing evolved into a chronic dependency that undermined sustainable development. The post-independence years saw loans as instruments to bridge fiscal shortfalls, yet over time, repayment obligations began to consume vital development resources. By the late 1960s, debt servicing had diverted funds away from education, health, and infrastructure. Shahid Javed Burki observes that much of the development financing merely recycled into debt repayments, rather than generating genuine growth (13). Every borrowing arrangement came with stringent conditions. The IMF and World Bank promoted liberalization policies—reducing subsidies, privatizing public enterprises, and exposing domestic markets to global competition. While these reforms were presented as modernizing tools, Dani Rodrik argues that such universal prescriptions failed across much of the developing world, Pakistan included (14-16). Industries weakened under foreign competition, while the removal of subsidies increased costs for ordinary citizens. Hafiz Pasha's analysis shows that these austerity measures disproportionately burdened lower-income groups, who faced higher living costs and limited public services (17,18). Debt dependency also reshaped Pakistan's political order. Authoritarian governments found it easier to secure international support, aligning with Washington's preference for predictable allies during the Cold War. Ayesha Jalal highlights how this reinforced the military's dominance, with aid serving as a reward for geopolitical loyalty (19,20). Ishrat Husain similarly notes that foreign assistance strengthened military control by providing access to external resources unavailable to civilian governments (21). By the 1980s and 1990s, Pakistan was firmly caught in a cycle of borrowing and austerity. Each IMF program promised reform but delivered little structural transformation. Even IMF economist Mohsin Khan admitted that repeated stabilization efforts often left Pakistan as vulnerable as before, perpetually dependent on external assistance (22). Debt had become more than a fiscal issue—it was a structural feature of governance that curtailed sovereignty, deepened inequality, and constrained national policy-making.

NEO-COLONIALISM IN PAKISTAN'S EXPERIENCE

Although political independence formally ended British rule, Pakistan's economic autonomy remained limited by neo-colonial structures of control. As Frantz Fanon warned, colonial power does not vanish—it adapts, transforming from direct occupation into indirect economic domination (23-25). In Pakistan's case, this transformation was immediate and profound. During the 1950s, American aid was not purely developmental but strategically motivated. Matthew Connelly documents how the U.S. viewed Pakistan primarily through a Cold War lens—as a frontline ally rather than a developing nation (26). Consequently, aid served geopolitical ends, embedding Pakistan within Western strategic designs. Parallel to bilateral relations, multilateral institutions such as the IMF and World Bank became instruments of neo-colonial influence. Cheryl Payer's analysis of IMF conditionalities demonstrates how austerity-driven programs entrenched dependency rather than enabling recovery (27,28). Pakistan's experience followed this pattern, with each loan demanding liberalization, fiscal tightening, or privatization—policies that prioritized creditor interests over national needs. Robert McNamara, during his tenure at the World Bank, defended structural adjustment as necessary discipline, yet critics such as Susan Strange argued that such programs transferred decision-making power from sovereign states to global institutions (29,30). Political dynamics reflected similar trends. David S. Painter shows that U.S. aid during the Cold War favored regimes aligned with Western strategy, which in Pakistan meant steady support for military governments (31). This external validation weakened democratic institutions and perpetuated internal authoritarianism. Debt and aid thus became tools not only of economic dependency but also of political control. Viewed through the lens of Dependency Theory and Postcolonial Theory, Pakistan's experience exemplifies how global capitalism perpetuates asymmetrical relationships between developed and developing nations. Walter Rodney argued that underdevelopment in the Global South is not an internal failure but a structural consequence of global extraction (24,32). Pakistan's historical trajectory affirms this view—its sovereignty eroded not by overt colonization but by financial and political mechanisms that sustained external influence long after independence.

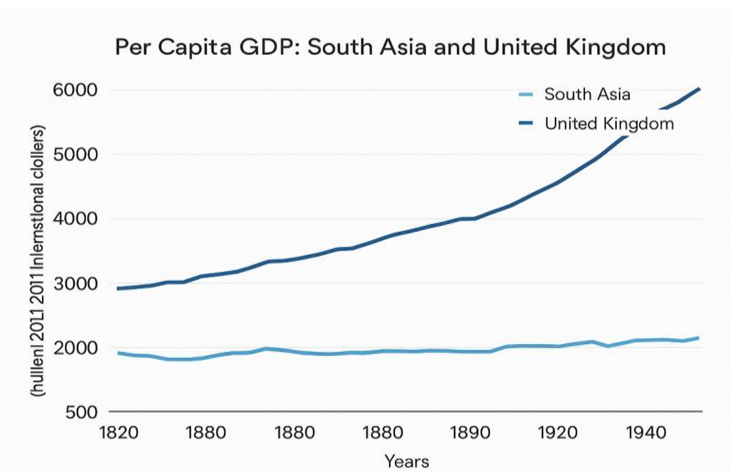

Figure 2 Per Capita GDP: South Asia and United Kingdom

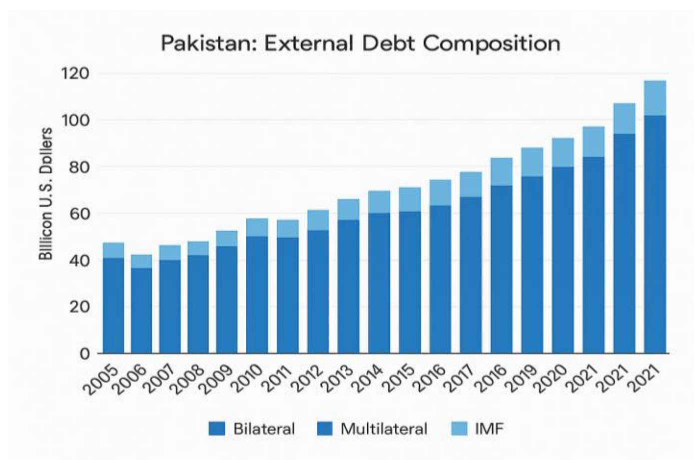

Figure 2 Pakistan: External Debt Composition

CONCLUSION

Pakistan's ongoing economic crisis emerges not as an isolated episode but as the culmination of a long historical process rooted in colonial exploitation and perpetuated by neo-colonial dependency. The study demonstrates that the economic fragility inherited from British rule, reinforced by Cold War alliances and recurrent engagement with international lenders, created a structural dependency that continues to restrict sovereignty and development autonomy. The findings align with theories of dependency and world-systems analysis, affirming that postcolonial nations often remain ensnared in unequal global hierarchies where "development" itself becomes a mechanism of control rather than emancipation. This historical continuity highlights how external economic pressures have not only shaped Pakistan's fiscal vulnerabilities but also entrenched internal authoritarian tendencies, undermining democratic consolidation.

Theoretically, this case contributes to the understanding of how colonial legacies and global capitalism intersect to sustain underdevelopment in the Global South. Future research should explore alternative economic frameworks that prioritize local resilience, equitable trade, and debt justice as pathways toward genuine independence. Ultimately, breaking the cycle of dependency will require both internal reform and a reimagining of Pakistan's place in the global order—one grounded in sovereignty, self-reliance, and sustainable growth.

AUTHOR CONTRIBUTION

Author	Contribution
Zaydakbar Amin*	Substantial Contribution to study design, analysis, acquisition of Data Manuscript Writing Has given Final Approval of the version to be published

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