

THE PARADOX OF ELITE CAPTURE: A DOUBLE-EDGED SWORD



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In contemporary socio-political and economic discourse, the role of elites and the elite capture remains highly contentious in shaping strong governance structures and developing markets. Most of the literature on elite capture characterized it as a phenomenon where resources that are transferred to the masses are usurped by those who are politically or economically more powerful. The power is perpetuated through land holdings, family networks, employment status, wealth, political and religious affiliation, personal history, and personality.

Theoretically, as DiCaprio (2012) explains, these powerful actors use their elite status and ability to control resources. Their command over productive assets and institutions enables them to steer the distribution of both resources and authority. Co-optation among common interest networks to achieve their goal further strengthens and empowers these elite groups. The contributing factors to this are voter ignorance, electoral uncertainty, and embezzlement of campaign funds. In South Asian and African contexts, strategic distortion of local information creates informational asymmetry, which allows the elite to manipulate the outcomes. Embezzlement of external resources, especially from donor-induced development or community projects, adds to this influence.

information creates informational asymmetry, which allows the elite to manipulate the outcomes. Embezzlement of external resources, especially from donor-induced development or community projects, adds to this influence. balance between equity and efficiency aspects. As obvious, the dynamic resource distribution is required to contain incentives for each tier to perform and achieve their best.

Numerous studies identify the elite capture as a significant barrier to equitable growth, income equality, and economic development, whereas some studies shed light on the significance of elites as a potential driver for equitable growth and income equality. These perspectives present two contrasting narratives of elite capture. One is a potential engine of growth and a driving force for society, and the other as a barrier to equitable development. This duality of elite capture raises some fundamental questions: are elites crucial drivers of innovation, progress, and economic development? Or do they perpetuate rent-seeking inequality, power, extraction, and appropriation?

To understand the complexity of elite capture and unravel its associated nuances, it is essential to first define who the elites are. Various scholars have provided differing interpretations. Some of these thorough studies have been carried out by PIDE. Zulfiqar and Moosvi (2022) summarize major definitions in their study identifying elites based on caste, class, wealth, land holdings, and political connections. These definitions of elites represent elites as dominant groups that disproportionately influence development processes, and distribution of resources due to their superior social, economic, or political status

In the Pakistan context, an insight comes from scholars like Armytage (2020) who defines the elite class as those belonging to families who generate at least U.S. 100 million dollars in revenue per year. Similarly, during a session on elite capture organized by PIDE at Econ-Fest (2023) political journalist Habib Akram, in conversation with Dr Nadeem ul Haque, offered a further elaboration of this view. He describes Pakistani elites as people who have secured their elite status through manipulation and exploitation. This manipulation and treachery, according to Akram, makes elite capture particularly more problematic in the case of Pakistan as it entrenches inequity and undermines merit-based growth.

Another significant contribution to the understanding of elites is provided in Haque and Zulfiqar (2024). They categorize elites into two distinct categories that are essential for addressing the central question of this essay. These categories include meritocratic elites and gatekeeper elites.

The meritocratic elite refers to a group of individuals who attain their elite status through merit, talent, and achievements rather than inherited privilege or social connections. In contrast, the gatekeeper elite includes individuals or institutions that control access to resources, opportunities, or positions of power within society (Haque and Zulfiqar, 2024).

The rest of the essay will discuss the elite capture through the lens of these distinct elite groups. It will assess the role and impact of gatekeepers and the institutional as well as meritocratic elites on society and analyze the implication of these concepts on Pakistan's socio-economic and political landscape.



ELITES AS GATEKEEPERS OF GROWTH AND BARRIERS TO EQUITY

According to Haque & Zulfiqar (2024), these elites may not necessarily achieve their status based on their merit and achievements but rather through their control over key institutions and networks. Since the gatekeeper elites come from a position of power, wealth, and

socio-political or economic status, it is expected for them to develop entry barriers to sustain their status. Their control over institutions, legal structure, politics of the country, and economic resources of the country enables them to perpetuate inequalities, thereby hindering economic growth and progress among the most marginalized groups. This dynamic is why they are termed gatekeeper elites.

Haque and Zulfiqar (2024) offer illustrative examples of gatekeeper elites as political party leaders who control access to political nominations and endorsements, corporate executives who control hiring and promotions within organizations, media owners and editors who shape public discourse by controlling access to information and platforms, and academic institutions or credentialing bodies that determine qualifications and certifications for certain professions. These gatekeeper elites, by their ability to control key institutions and networks, wield power to determine who can gain access to these elite circles irrespective of merit thereby perpetuating systematic inequalities.

In their study, they also offer a historical explanation of the gatekeeper elitism in Pakistan, linking it to colonialism. They outline how colonialism progressed through three stages that established the foundations of elite capture: military control and wealth extraction from the colonized state, transforming colonies into trading partners, and creation of bureaucratic and hierarchical administrations that trained local elites to sustain colonial institutions and continue appropriation. The military, established to uphold the dissent and ensure colonial supremacy: the bureaucracy and judiciary, trained to enforce colonial laws, extract resources, and stifle the local initiatives have continued to perpetuate elite capture in the post-colonial world across many colonies including India, Pakistan, and Bangladesh.

The consequences of domination of the military and state are explained in Alavi (1972, as cited in Zulfiqar and Moosvi, 2022) who criticizes that this state-military dominance has resulted in an over-developed state. This over-developed state maintains discursive control over the populace and embodies the colonial legacy of extracting economic resources.

Zulfiqar and Moosvi (2022), identify major groups involved in the appropriation of state resources, categorized eight primary sectors. These include state-owned enterprises (PKR 345 billion), the military establishment (PKR 257 billion), high-net-worth individuals 1% of earners nationwide (PKR 368 billion), larger traders (PKR 348 billion), exporters (PKR 248 billion), banks (PKR 196 billion), industry (PKR 528 billion), and the feudal class (PKR 370 billion). Collectively, these groups are responsible for an estimated loss of PKR 2606 billion, which represents nearly 8 percent of GDP. In another similar study, Zeeshan (2024) shares an estimated loss of 6 billion is accrued to the subsidy policy in textile export sector. The mechanisms of this extraction often involve preferential access to land, capital, and infrastructure, facilitated by a vast network within and outside government. These networks enable elites to circumvent the regulatory framework. Benefitting from lower taxation is another way these extractions are made simpler and are characterized by exemptions, evasions, and ineffective rates. Lastly, the favorable prices by the state provide protection and means of access to lower prices for inputs.

Rent-seeking, an exploitative and extractive economic phenomenon that runs on the principle of manipulation of institutions rather than through productive activity, rooted in the colonial economic system, continues to plague present-day Pakistan's economy, the authors

explain. From bureaucratic red tape with officers demanding bribes and engaging in nepotism to a land distribution system benefitting the small elitist groups and the incessant military dominance, its colonial characteristic continues to play a role in forming government and military elites accumulating power and resources at the expense of democratic governance and civilian institutions (Haqqani, 2005, as cited in Haque and Zulfiqar, 2024).

Zulfiqar (2024) further notes that confiscation, extraction, and expropriation of land, physical resources, and natural resources through fear is another modus operandi through which the elites achieve their purposes, including the state and military. The fear of not complying with the elite authority is deeply internalized into the masses and has been perpetuated throughout history. The interconnected roles of the government, police, and military as institutions of social control play out critically to ensure the reproduction of fear by suppression. Examples of this can be seen in land grabs for housing societies, extortion money demanded by politically backed highly influenced individuals, and bonded labor ordered by the feudal and landlords-most pervasive fear-based capture.

Saad Rasool, a renowned lawyer, during a session in EconFest (2023) shared similar sentiments on gatekeeper elites by dividing them into three distinct categories. First, those who possess immense financial resources can contest the election and thereby be separated from the rest of the society; second, those who have attained positions, say within the bureaucracy, and thereby gained substantial power based over the common man; and third, a more problematic category, where people are appointed to significant positions without any regard to merit. This later form, as Rasool argues, is the most detrimental as it entrenches inefficiency and corruption undermining the principles of meritocracy.

There is a very succinct literature that is available to understand the root cause of the elite capture, particularly concerning Pakistan and the sub-continent. Zulfiqar and Moosvi (2022) have it linked with the colonial legacy. The reason is that, since the sub-continent was not a settler colony, there were little or no incentives for the British to ensure that the fruits of economic growth trickled down in society. As Haque and Zulfiqar (2024) and Robinson and Acemoglu (2012) explain, the colonial economic systems, bureaucracy, and judicial systems were established on the principle of extraction of wealth and resources from colonized territories to colonial centers. To this day, these systems are applied and adopted without any change and change of mindset.

Pakistan Institute of Development Economics (PIDE) conducted a session on Elite Capture in EconFest²⁶, 2023. The session, hosted by Dr Nadeem ul Haque, brought together a group of distinguished journalists/lawyers. All the guests viewed elite capture in Pakistan as a problem undermining growth and development in the country. Nasim Zehra (EconFest, 2023) viewed elite capture as the root cause of underperformance and wealth accumulation among the top. She added that the state, by wielding the elite capture in society, is financing the denial of opportunity, underdevelopment, underemployment, and global marginalization. Furthermore, the beneficiaries of the elite capture discussed above are politico-military elites.

²⁶EconFest is an initiative comprising discussions, debates, exchange of ideas on issues concerning the economy that is the brainchild of Dr Nadeem ul Haque. This is first-ever fest where families, citizens, youth and university students participated, shared, debated and discussed the ideas that matter to them the most 05/99.

Consider the example of the sugar industry where licenses, loans, land, and the export of sugar to benefit the politicians, who are largely the owners of the sugar industries.

Javid (2024) also refers to three disadvantages the elite capture accrues in the case of Pakistan. First through taxes and subsidies, and protection undermining productivity and global competitiveness (this has also been argued by Nasim Zehra in EconFest 2023). Secondly, the diversion of public resources to benefit elites and pay off debt limiting the use of these resources as human capital resulting in poor social outcomes. Finally, the persistence of elite status within a few families limits social mobility and deepens intergenerational inequality.

Dr Nadeem-ul-Haque in a podcast also drew attention to another example of elite capture reflected in the fall of the Sheikh Hasina Wajid's Government in Bangladesh, which he attributes to elite capture policies. Resistance rose against the quota system in job allocation which systematically excluded the general population and promoted intergenerational transfer of power that protected the select few to get the jobs and not based on merit.

However, not all the elites perpetuate inequalities, extraction, and extortion. Some act as catalysts for growth, and economic development and harness merit, creativity, and innovation, and nurture excellence through mentorship. In the next section, I discuss the role of meritocratic elites and their contributions to societal progress and economic development.

▶ **ELITES AS DRIVERS OF INNOVATION, GROWTH, AND DEVELOPMENT**

The term elite capture often carries a negative connotation, likely due to the implication of 'capture' within it. However, there is another perspective attached to the elites, the associated capture, and the implication of elite capture. This perspective has been explained, very precisely though, in a few studies as well. More recently, Haque and Zulfiqar (2024) in their work "Not Elite Capture but the Capture by Colonial-made Elites", share that elite capture sometimes contributes positively to state formations by providing coherence and stability to governance structure. Throughout history, cohesive elite groups have been central to centralized state formation, fostering economic growth and maintaining social order.

On one hand, the elite capture perpetuates inequalities while on the other hand, it leads to positive socioeconomic order. Therefore, a balanced mix of cohesive elite capture and democratic participation, as the authors suggest, is significant to ensure that the elite capture serves the interest of the masses.

In a panel discussion on elite capture at EconFest (2023), Habib Akram shared his thoughts on how elites have formed societies, assisted in making the legal structure, and supported world-renowned artists and singers. Notable figures such as poets Allama Iqbal and Mirza Ghalib, as well as singers Nusrat Fateh Ali Khan and Ustad Ghulam Ali, were all beneficiaries of patronage from the elites of that era.

Haque (2024) in an Islah debate with Fahd Zulfiqar on the Elite Capture also highlighted that elites have done wonders. During the Renaissance era, elites played a fundamental role

in influencing art, architecture, and literature, by financing artists, scientists, and intellectuals to allow them to pursue their work without any financial struggle. This patronage, from wealthy elite social status families, such as the Medici in Florence, led to the flourishing of all sorts of innovation from remarkable individuals such as Leonardo Da Vinci, Michelangelo, and Raphael. It was also a key factor in the revival of classical knowledge, which emphasized science, reason, and the potential of the human mind and its subsequent achievements. This movement is also known as the humanist movement, emphasizing the idea that elites can play a crucial role in the shaping of society, and eventually human history, for the better.

The scientific, and technological discoveries have also been made possible by an active role and support provided by the elites who encouraged growth and development. From decoding the human genome, the greatest scientific discovery sponsored by funds created by elites for the universities conducting that research, to bringing a revolution in space science, as mentioned by Haque (2024) in the Podcast on elite capture.

While Haque and Zulfiqar (2024) build their thesis on “no state without elite”, Akram (EconFest, 2024) shared his account of such a state where the elites have suddenly vanished. During his trip to Afghanistan, following the US withdrawal and the rise of the Taliban, he witnessed firsthand the impact of the absence of elites and key societal figures from Afghanistan including journalists, intellectuals, thinkers, doctors, engineers, the dominant business personnel, artists and the singers, as no one wanted to live in Taliban’s Afghanistan. As a result, Kabul’s chamber of commerce – the hub of economic activity- was an epitome of bewilderment and neglect. The press club – usually bustling with journalists, was deserted. This void, he added, further extended throughout the Afghan society leaving the society in a state of disarray and dysfunction.

The meritocratic elites as explained earlier in the introduction of this essay are the individuals who achieve their elite status based on their hard work, skill, education, and contributions to society. The study has provided some interestingly well-known public figures and professionals across various segments of society, from the industry to scientists and researchers, to athletes, and arts and entertainment. There are numerous well-known examples of meritocratic elites. In Pakistan, there are meritocratic elites who have risen to positions of power through their hard work, dedication, talent, and ability. The most recent examples include the famous cricketer Babar Azam, the Olympic gold medalist in 40 years, and the javelin thrower Arshad Nadeem who had little means to even practice. Successful businessmen like Syed Baba Ali Shah, Philanthropist, Abdula Sattar Edhi, music Maestro like Nusrat Fateh Ali Khan and Atif Aslam, and renowned economists including Mehbub ul-Haque and my mentor, Dr Nadeem ul Haque.

As mentioned in Moosvi (2024) in the news article “Leader Par Excellence”, I am a witness to how the tenure of Dr Nadeem-ul-Haque exemplified the transformative potential of meritocratic leadership that changed the dynamics of the institution in several ways. As VC PIDE, he dismantled all the barriers of gatekeeping and bureaucratic resistance that hinder innovation and talent progression. His approach was to encourage open debate, bold stances, and context-specific research. Dr. Haque commitment to forming an intellectual community was evident through numerous webinars, seminars, podcasts, Twitter spaces, and WhatsApp community groups, among many other contributions. He formed a society of

academic intellectuals called Research for Social Transformation and Advancement (RASTA) hoping to promote research cultures and network of academia across Pakistan producing high-quality, evidence-based public policy research. In addition to this, he has encouraged young researchers to be proactive, write prolifically in Pakistan's academic and public discourses, and engage with other research networks to ensure a stringent research culture and cohesive network.

Dr. Haque represents a sterling example of the impact the meritocratic elite can have on the fate of an institution, so it is not hard to imagine what people like him can do for a country like Pakistan. His tenure at PIDE stands as a testament to the positive impact of a meritocratic and open internal culture, suggesting that if more organizations in Pakistan could emulate this model, the potential for national progress would be immense.

CONCLUSION

In conclusion, the examination of elite capture in Pakistan reveals a complex dynamic driven by various elite groups such as military, bureaucratic, landowning, industrial, political, and religious elites. These groups individually influence policies and resource allocation to favor their own interests, while also collaborating to strengthen their collective influence. The dominance of gatekeeping elites has perpetuated systemic inequalities across various sectors, including education, health, sports, and culture. For instance, gatekeeping elites create barriers to limit the access of common people to several opportunities and resources, thus reinforcing class and caste division which was already prevalent in Pakistan.

Immediate reforms are essential to mitigate this dominance and promote a more dynamic and equitable society. This includes addressing the colonial legacy in institutions, reforming education and health policies, and promoting competition by eliminating subsidies, preferential pricing, and quotas. A PIDE study has proposed a phased plan to eliminate subsidies gradually over 5 years. In addition, fostering a competitive market environment will stimulate growth. By reducing the influence of gatekeeping elites, Pakistan can tap into the potential of meritocratic elites to drive economic growth, societal progress, and innovation.



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