



Pakistan Institute of Development Economics

# DISCOURSE

## ELITE CAPTURE

GATEKEEPING ELITES ♦ MERITOCRACY

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**Board**

Discourse is a bimonthly magazine from the Pakistan Institute of Development Economics. Themed around public policy and political economy, it aims to offer insight into social, economic and political issues on both domestic and global levels.

The publication provides a general overview of the latest developments in Pakistan's economy, identifying key areas of concern for policymakers to suggest policy interventions. The publication is a hands-on and precise go-to document for the policymaker, academic, journalist, researcher, corporate/development sector professional and/or student seeking to remain updated and informed. Discourse has recently been enhanced in scope, with various new sections added to the publication to broaden its subject matter and encourage rigorous, creative and interdisciplinary analyses that cover a more expansive range of topics and appeal to lay audiences.

The theme for the current issue of Discourse is Elite Capture. The term is often heard in the public discourse, social platforms, media, academic circles and festival circuits. The term, despite being discussed and contemplated, is under-conceptualized and misunderstood. Much of the under-conceptualization of the term is due to the lack of conceptual clarity and casual frivolity with which the term is uttered by academics, politicians, policymakers, activists and media persons. The current issue of Discourse magazine aims to clear the term by asking questions such as, who are elites? Who is included in the elites? What types of elites exist globally and locally? Who are Pakistani elites? Will gatekeeping elitism ever end in Pakistan? Is meritocracy an alternative to elitism in Pakistan?

For the current issue, we have a great lineup of authors from various fields: academia, social mobilization, development sector, activism, and human rights defenders. We have also interviewed women who have made their mark in their respective fields despite elitism, socio-structural forces, and patriarchal mind-sets.

We intend to develop clarity of the concept concomitant with the hope of nuanced debate with informed and empirical research for the future on Elite Capture.

We hope you enjoy this issue of Discourse!

# TABLE OF CONTENTS



<b>COVER PIECE</b>	<b>1</b>
<b>ELITE CAPTURE - Elitism, Meritocracy, Gatekeeping Elites</b>	<b>1</b>
Not Elite Capture but Capture by Colonial-made Elite - Nadeem Ul Haque & Fahd Zulfiqar	2
PIDE Conversation - Sania Saeed	11
<b>CLARIFYING THE CONCEPT</b>	<b>16</b>
Elite Capture or Elite Failure? - Fayyaz Baqir	17
Clarifying 'Elite Capture' - Umair Javed	20
PIDE Conversation - Michael Sandel	22
The Elite Network Blocking Pakistan's Progress - Zainab Ali	26
How Elite Capture is Choking Pakistan's Economic Potential - Muhammad Zeshan	28
Elite Capture on Steroids - Dr. Taimur Rahman	30
Elite Capture by Meritocracy: The Meritocracy Paradox in Pakistan - Ayesha Rehman	33
<b>GOVERNANCE &amp; ELITE CAPTURE</b>	<b>35</b>
Elite Capture & Governance in Pakistan: Unravelling Historical Patterns - Fida Muhammad Khan	36
The Misleading Story of Elite Capture in Pakistan - Asad ur Rehman	41
Elite Bargaining in Pakistan Development's SAGA - Naveed Akhtar and Muhammad Junaid	43
From Colonizers to Corporatocrats: The Evolution of Elite Capture - Waqar Ahmad	46
<b>SOCIOLOGY OF ELITE CAPTURE</b>	<b>49</b>
Elites & the Modus Operandi of Constructing Fear - Fahd Zulfiqar	50
Sifarish Culture: A Form of Elite Capture - Mustafa Tariq Wynne	52
PIDE Conversation - Tamkinat Mansoor	55
<b>CONTEMPORARY DEBATES ON ELITE CAPTURE</b>	<b>61</b>
AI & Educational Elitism - Bina Shah	62
The Phenomenon of Underdevelopment: A Case of Pakistan - Tahir Kamran	65
Elite Capture of Broadcast & Social Media - Sania Ahmed	68
Elites & The Climate Change: Accelerating The Crisis from the Top Down - Maleeha Sattar	71
Socialism for The Rich & Capitalism for The Poor - Rehmat Alam	74
Elite Bargains & Commoners: Revisiting The Two Nation Theory in Pakistan - Zahanat Hussain	76
Elite Capture in Sports - Fizzah Khalid Butt	79
<b>ECONFEST '24</b>	<b>81</b>
Islaah For Public Administration - Maida Ayyaz	82
Time To Deregulate - Anjeela Khurram	84
Building Wealth Through Investments - Amena Urooj & Saud Ahmed Khan	86
Are We Afraid Of Evaluation - Anjeela Khurram	90
Agriculture is not The Future of Pakistan - Sobia Rose	92
Essential Steps for Pakistani Companies to Compete Globally - Farhat Mahmood	95

# TABLE OF CONTENTS



The Effects of Culture on Economic outcomes - Shahid Mehmood	98
Pakistan's Energy Mess - Afia Malik and Tehmina Asad	100
EconFest 2024: Fostering Economic Discourse & Youth Empowerment - Maria Jawad Khan	103
Electoral Reform Post 2024 - Abbas Moosvi	105
The Costly Addiction of Foreign Aid - Uzma Zia	109
24 <sup>th</sup> IMF Program - Mohammad Shaaf Najib	111
AI & The Future of Work for Women in Pakistan - Saba Anwar	113
Revamping PTV: A Blueprint for Global Success - Abbas Murtaza Maken	115
Geo-Economic Dexterity Starts at Home - Saddam Hussein	117
Stunted Growth: The Economic Stalemate of Pakistan's Business Landscape - Abbas Murtaza Maken	120
The Unbearable Cost of Living - Henna Ehsan	122
Where do They Spend my Taxes - Karim Khan and Mahmood Khalid	124
Islaah Beyond IMF - Dr. Muhammad Faisal Ali	127

# COVER PIECE

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ELITE CAPTURE  
ELITISM · MERITOCRACY · GATEKEEPING ELITES





# Not Elite Capture but Capture by Colonial-made Elite

Nadeem ul Haque & Fahd Zulfiqar

Elite, a concept as random, subjective, and multifarious in theory, and as widely heard or debated in the public discourse, has gained prominence in public consciousness over many years. The concept alludes to several related concepts, including but not limited to, capture, in-group, control, power, authority, extraction, and transactions. With the equivocalness of the related concept- Elite Capture, several materials have been produced in the context of Pakistan, including one of the PIDE's knowledge briefs<sup>1</sup> in which an attempt was made to explain who the elites are, what they do, who the elites in Pakistan are, and what they capture (if they do). The current piece is an attempt to further deepen the discussion on the inevitability of elites, who are the gatekeeping and meritocratic elites, whether is meritocracy an alternative to elite capture in Pakistan and the linkage between colonialism and the elite state.

## NO STATE WITHOUT ELITES

Elite capture, the phenomenon where a selected group or class monopolizes access to resources and decision-making processes, has played a complex role in state formation throughout history. State formation

as well as most early law development occurred as elites struggled for power and established power-sharing arrangements such as parliaments and justice systems. In certain contexts, elite capture has contributed positively to state formation by providing coherence and stability to governing structures. Historically, cohesive elite groups have played pivotal roles in establishing and maintaining centralized states, fostering economic development, and promoting social order. This form of elite capture can lead to effective decision-making and the implementation of policies that benefit broader societal interests.

On the other hand, various monuments and castles also remain as signs of inequality and exploitation that resulted from elite control of resources and led to many movements such as Marxism to develop an equal state. When a small elite group monopolizes political power and economic resources, it can lead to widespread corruption, patronage networks, and the exclusion of marginalized voices. This form of elite capture distorts governance systems, perpetuates social disparities, and hampers inclusive development.

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<sup>1</sup><https://pide.org.pk/research/understanding-elite-capture/>

Striking a balance between elite cohesion and democratic participation is crucial for ensuring that elite capture serves the interests of broader societal welfare rather than perpetuating inequalities. This perhaps was the brunt of the political aspect of the Enlightenment movement in the 17th and 18th centuries which led to the development of constitutional democracy. Later, the progressive movement of the 19th and 20th centuries was to add welfare policies for social mobility and risk sharing to ensure fluidity in social structures.

The result of these reforms was the creation of a merit-based elite with substantial social mobility. While there is evidence to show that wealth may be sticky, political power generally was driven by popular discourse allowing substantial fresh entry. This argument allows for further theoretical explorations of who is elite, on the one hand, and broadens the core for more elites to enter.

*"Sometimes you're an elite because of how people have decided (or been forced) to relate to some aspect of your social identity. Sometimes you're an elite because of some more contingent advantage: your level of education, wealth, or social prestige. Sometimes you're an elite just because you happen to be the only one of your group who's in a particular room." (Taiwo, 2022, page no. 47)*

By this elite is either symbolic capital (reverence, respect and honour, and resultant economic entitlements bestowed upon) one has, or socioeconomic prestige one carries or cultural embodiments (knowledge and prestige) one embodies.

Political scientist Freeman in Taiwo (2022) does not define the elite as a standardized and stable identity. Freeman articulates elite, relationally; a power-based relationship in which one holds a position of power over another person, group, or community. This definition is not only contextual relationally but also spatial as the spatial specifications deepen the understanding of how, why, when and from where the relationships of social power emerged.

*"An elite refers to a small group of people who have power over a larger group of which they are part, usually without direct responsibility to that larger group, and often without their knowledge or consent." (excerpt from Jo Freeman's piece, "The tyranny of structurelessness")*

Described broadly in terms of power, economist Diya Dutta further funnels down the concept of elite by defining elite capture along the axis of access and economic/non-economic resources.

*"The presence of unequal access to power- some have greater access to power (by their lineage, or caste, or economic wealth or gender, or some other reason) and consequently the ability to influence the transfer of funds/resources disproportionately." (Dutta, 2009, page no. 10)*

Contrary to socio-economic and politico-economic dominance as the phrases related to elite and eliteness, O. Taiwo (2022) notes that international financial institutions create another elite group that not only functions as economic hegemony but also as units of creating inequalities in the production, distribution, and dissemination of knowledge. The term, on either theoretical or operational levels, whether grounded in political economy or sociology, describes the commonality of characteristics; less collective action by people, decision-making tightened by the core, and the rise of technocrats. These features are visible not only at the national, multi-national or international fronts but also at the organizational levels.



## THE NATURE OF ELITES MATTERS

The concepts of meritocratic elite and gatekeeper elite provide insights into different mechanisms through which individuals or groups attain and maintain elite status within society.

### Meritocratic Elites

The meritocratic elite refers to a group of individuals who achieve their elite status based on merit, talent, and achievements rather than inherited privilege or social connections. In a meritocracy, individuals ascend to elite positions through their hard work, skills, education, and contributions to society. Meritocratic systems are often associated with ideals of fairness, equal opportunity, and social mobility, where individuals are rewarded based on their abilities and accomplishments rather than their background or social status.

Examples of meritocratic elites include successful entrepreneurs, accomplished professionals, talented artists or athletes, and individuals who have excelled in academia or scientific research. These individuals rise to elite positions through their demonstrated competence, innovation, and dedication, earning recognition and influence based on their meritocratic achievements.

There is however a downside to the meritocratic elite. Micheal Sandel<sup>2</sup> explains that merit as competence and meritocracy are different- the part 'ocracy' signals the mode of ruling for distributing wealth, opportunities, social acknowledgement, honour, and power. Meritocracy often tends to be self-perpetuating as in the case of guilds and some legally protected professions where they control entry and sometimes even benefits. In such cases, meritocracy can turn into a gatekeeper elite.

Individuals or groups who have risen to positions of power or influence based on their merit, skills, abilities, or achievements rather than inherited wealth, social status, or other arbitrary factors. Here are some examples:

1. **Tech Industry Leaders:** Figures like Elon Musk, Jeff Bezos, and Mark Zuckerberg are often cited as examples of meritocratic elites. They founded or led some of the world's most influential technology companies based on their innovative ideas, entrepreneurial spirit, and technical expertise.
2. **Scientists and Researchers:** Nobel laureates and leading scientists often achieve their status through rigorous academic training, groundbreaking research, and significant contributions to their fields. Examples include Marie Curie, Albert Einstein, and Jane Goodall.
3. **Athletes:** Successful athletes often reach the top of their respective sports through hard work, dedication, and exceptional talent. Examples include LeBron James, Serena Williams, and Lionel Messi.
4. **Entrepreneurs:** Many successful entrepreneurs have built their businesses from the ground up, leveraging their skills, vision, and determination. Examples include Oprah Winfrey, Richard Branson, and Jack Ma.
5. **Academics and Scholars:** Professors, researchers, and intellectuals who have achieved recognition in their fields through scholarly publications, teaching excellence, and contributions to knowledge can also be considered meritocratic elites. Examples include Noam Chomsky, Angela Davis, and Stephen Hawking.
6. **Military Leaders:** Some military leaders rise through the ranks based on their leadership abilities, strategic thinking, and performance in combat situations. Examples include General Dwight D. Eisenhower, Admiral William H. McRaven, and General Stanley McChrystal.
7. **Artists and Creatives:** Accomplished artists, musicians, writers, and filmmakers often achieve success through their talent, creativity, and dedication to their craft. Examples include Leonardo da Vinci, Beyoncé, and Quentin Tarantino.

<sup>2</sup><https://www.noemamag.com/the-dark-side-of-meritocracy/>

## Gatekeeper Elites

The gatekeeper elite refers to a group of individuals or institutions that control access to resources, opportunities, or positions of power within society. Gatekeepers wield influence by regulating entry into elite circles, determining who can ascend to positions of authority or influence, and setting the criteria for inclusion or exclusion. Unlike the meritocratic elite, gatekeeper elites may not necessarily achieve their status based on personal merit or achievements but rather through their control over key institutions or networks. As mentioned above it is natural for even meritocracies to develop entry barriers to perpetuate their status. The colonial civil service continues to keep its closed union while groups like lawyers raise entry barriers and ensure they have a monopoly on judicial positions, and urban planners have a legal monopoly. Bankers too have closed entry to other groups into the banking and finance sector. The corporate sector has created a Pakistan Institute of Corporate Governance to ensure that entry into the Boards of Directors of restricted to a particular group.

Examples of gatekeeper elites include political party leaders who control access to political nominations and endorsements, corporate executives who influence hiring and promotion decisions 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.

Gatekeeper elites can shape social hierarchies and perpetuate inequality by controlling access to opportunities and resources, reinforcing existing power structures, and limiting mobility for individuals from marginalized or disadvantaged backgrounds.

### Examples of Gatekeeper Elites

Individuals or groups who control access to resources, opportunities, or information, often through institutionalised means, thereby exerting considerable influence and power over others. Here are some examples:

1. **Government Officials:** Elected officials, bureaucrats, and policymakers can function as gatekeeper elites by controlling access to political power, public resources, and decision-making processes. Examples include heads of state, senators, and high-ranking civil servants.
2. **Corporate Executives:** CEOs, board members, and executives of large corporations often function as gatekeeper elites by controlling access to capital, employment opportunities, and market resources. Examples include leaders of multinational companies like Apple, ExxonMobil, and Goldman Sachs.
3. **Media Owners and Executives:** Owners, editors, and executives of media conglomerates can function as gatekeeper elites by controlling access to information, shaping public discourse, and influencing public opinion. Examples include Rupert Murdoch (News Corporation), Jeff Zucker (CNN), and Mark Zuckerberg (Facebook).
4. **Academic Institutions:** University administrators, admissions officers, and faculty members can function as gatekeeper elites by controlling access to educational opportunities, research funding, and academic prestige. Examples include Ivy League universities, prestigious research institutions, and academic publishers.
5. **Professional Associations:** Leaders and members of professional associations, licensing boards, and certification bodies can act as gatekeeper elites by controlling access to professional credentials, career advancement, and networking opportunities. Examples include the American Bar Association, the American Medical Association, and the American Institute of Certified Public Accountants.
6. **Cultural Institutions:** Curators, gallery owners, and cultural policymakers can function as gatekeeper elites in the art world by controlling access to exhibition spaces, funding, and critical acclaim. Examples include directors of major museums, influential art critics, and prominent gallery owners.
7. **Financial Institutions:** Bankers, investment managers, and venture capitalists can function as gatekeeper elites in the financial sector by controlling access to capital, investment opportunities, and financial services. Examples include leaders of major banks, hedge funds, and private equity firms.

## The connectedness of Pakistani Elites

Armytage (2015), while explaining the social lives of business elites in Pakistan, describes that Pakistan is comprised of disparate groups of elites entitled to positions of power in politics, military, and bureaucracy. These elites govern separate but equally powerful institutions of Pakistan. Their wealth over the last seventy-plus years is sustained by the possession of social and cultural capital they possess through ancestral politics, military influence, and social lives. These social lives as highlighted by Armytage (2015) in ethnographic research conducted with the elites of Lahore, Islamabad, and Karachi, are constitutive elements of dealings and transactions among business elites. Exchange of expensive gifts, private dinners, meals cooked by the best chefs of the country, expensive alcohol, best musicians, and vocalists flown in from different cities of Pakistan, and designer-clad clothes, provide conducive atmospherics for finalizing business deals, securing government contracts, owning lands, seeping insider information, and acquiring a price concession on the vital item of industrial manufacturing. Hence, for elite survival, the fuzzy lines between friendships and the instrumentality of relationships are critical.

## ENTER COLONIALISM

### Colonialism from Oxford English Dictionary

“A settlement in a new country ... a body of people who settle in a new locality, forming a community subject to or connected with their parent state; the community so formed, consisting of the original settlers and their descendants and successors, as long as the connection with the parent state is kept up.” (Loomba, 2015, page no. 7)

### Colonialism from Ania Loomba

“... as the conquest and control of people’s land and good.” (Loomba, 2015, page no. 8)

Colonialism is not merely the extraction of goods and wealth, it is about restructuring the economies and developing relationships of politico-economic dependencies between the colonized and the colonizer in which human beings were also moved. The subjects from the colonized regions moved as indentured labourers, domestic servants, slaves, and traders. The masters also moved but as administrators, soldiers, settlers, merchants, artists, missionaries, scientists and teachers; averring the identity of a gatekeeper elite. The intent of this movement is avowed by Chandra (1999) while detailing the stages of colonialism. In the first stage the colonial administrators, corporations, merchants, and traders, directly appropriated the surplus of the colony for three reasons: (1) to physically conquest seas and ports in the colony and take control of the naval forces, forts, armies, and trading posts, (2) to purchase the colonial products and, (3) to generate profits for the corporations, exchequers, and merchants. In this stage, the only changes were brought about in the military organization, technology, and revenue-collection structure to make the procedural and transactional systems smoother for extraction and appropriation.

The overhaul of the judiciary, transport, communication, and methods of industrial and agricultural productions took place in the second stage of colonialism in which the emphasis was on turning a colony into a subordinate trading partner which provided raw materials and cheap labour to the colonizers to produce finished products. In this stage, for the deeper permeation of the finished metropolitan products into towns and villages, the colonial administration had to be more comprehensive. The legal structure was also overhauled to ease the process of transactions of millions for imports and exports.

However, it was in the third stage that the administration was made more bureaucratized, hierarchical, and subservient. This administration was ruled by the colonial elites who made sure to manufacture institutions of business, control and surveillance and produce local elites who would mimic colonial elites and sustain colonial institutions.

Colonialism interfered in the natural evolution of our society. Colonial extractive systems that took 2 centuries to develop remain in place along with the colonial institutions—bureaucracy, judges, and the army. The bureaucratic and judicial systems in many post-colonial nations, including Pakistan, were created to be gatekeeper elites. These systems were established to serve the interests of colonial powers, required to inhibit local initiative and entrepreneurship.

Bureaucrats and judges were trained to enforce colonial laws and regulations, which prioritized the interests of the colonial rulers and facilitated the extraction of resources from local populations. Even after independence, these institutions have continued to operate as gatekeepers. This indeed perpetuates elite capture, favouring entrenched elites and hindering the empowerment of marginalized groups.

The military, another key institution shaped by colonial legacies, was historically tasked with maintaining colonial dominance and suppressing dissent among local populations. Trained and indoctrinated by colonial powers, military forces were deployed to crush local initiatives and uphold colonial interests. Post-independence, the military often assumed a dominant role in governance, further entrenching elite capture by aligning with powerful political and economic elites. This legacy of militarized governance continues to influence power dynamics, undermining democratic processes and perpetuating elite control over resources and opportunities.

Rent-seeking, the extraction of economic benefits through manipulation of institutional mechanisms rather than through productive activity, has deep roots in colonial economic systems. Colonial powers established extractive economic structures that facilitated the transfer of wealth from colonized territories to colonial centers. This rent-seeking behaviour was institutionalized through bureaucratic controls, legal frameworks, and economic policies designed to serve colonial interests. Despite political independence, post-colonial elites have often perpetuated these rent-seeking practices, exploiting bureaucratic and legal channels to maintain their privileged status and control over resources.

Despite formal decolonization, the legacy of extractive practices persists within post-colonial states. Bureaucratic red tape, judicial corruption, and military interventions continue to stifle local initiatives and perpetuate elite capture. The collusion between political, bureaucratic, and military elites enables rent-seeking behaviours that undermine economic growth, social development, and democratic governance. As gatekeepers of power and resources, these elites reinforce systemic inequalities inherited from colonial rule, obstructing efforts to promote inclusive development and empower marginalized communities.

In essence, the colonial hangover within bureaucratic, judicial, and military institutions perpetuates elite capture and rent-seeking behaviours, undermining efforts to build inclusive and equitable societies. Addressing these entrenched legacies requires comprehensive reforms aimed at democratizing institutions, enhancing transparency and accountability, and empowering grassroots initiatives to challenge elite dominance and promote genuine socio-economic progress.

Colonial legacy institutions have had a profound impact on rent-seeking and extraction in former colonies, perpetuating systems that prioritize the interests of elites over broader societal welfare. Several examples illustrate how these institutions when left unreformed, entrench rent-seeking behavior, and perpetuate economic exploitation:

**Nigeria:** The bureaucratic and legal systems inherited from British colonial rule have been characterized by inefficiency, corruption, and rent-seeking. For example, the Nigerian National Petroleum Corporation (NNPC) has been plagued by allegations of corruption and mismanagement, allowing elites to siphon off oil revenues meant for national development (Ayadi, 2016).

**Democratic Republic of Congo (DRC):** The extractive economic structures established by Belgian colonial rulers continue to shape the DRC's economy. Elite capture of the mining sector, characterized by collusion between political elites and multinational corporations, has led to the exploitation of natural resources at the expense of local communities (Global Witness, 2021).

**India:** Colonial-era land tenure systems and bureaucratic structures have contributed to ongoing rent-seeking in the country. Land acquisition processes often favour powerful elites, leading to land grabs and displacement of marginalized communities for industrial and infrastructure projects (Roy, 2019).

**Bangladesh:** The administrative cadre, which is the hallmark of public bureaucracy in Bangladesh, has strong colonial baggage. With continued opportunities for professional success, perks beyond salaries, and autonomous status in the functions and operations of organizations the bureaucrats work in, the bureaucracy is a system of yielding power to the very few to regulate and govern the public. For this reason, Zafarullah (2007) pinpoints that the 'public confidence in the bureaucracy will further wane' (page no. 171).

**Zimbabwe:** The legacy of colonial land ownership patterns has perpetuated rent-seeking and extraction in the country. Land redistribution policies implemented post-independence have been marred by corruption and elite capture, exacerbating economic inequalities, and hindering agricultural development (Scoones, 2009).

## Pakistan

Certainly, Pakistan provides another pertinent example of how colonial legacy institutions can entrench rent-seeking and extraction, perpetuating systems that benefit elites at the expense of broader societal welfare. The following text explains rent-seeking and extractive practices rampant in Pakistan.

**Bureaucratic Corruption:** The bureaucratic system inherited from British colonial rule in Pakistan has been plagued by inefficiency and corruption. Rent-seeking within bureaucratic structures is rampant, with public officials often demanding bribes and engaging in nepotism to grant favours and access to resources (Khan, 2016).

**Land Distribution:** Colonial-era land tenure systems continue to shape land distribution patterns in Pakistan. Large landholdings concentrated in the hands of elite landowners perpetuate economic inequalities and hinder agricultural development. Attempts at land reforms have been stymied by resistance from powerful landowning elites, exacerbating social disparities (Cheema & Naseem, 2018).

**Military Dominance:** The military, deeply influenced by colonial legacies, has historically played a significant role in governance in Pakistan. The military's involvement in politics and the economy has contributed to elite capture, with military elites accumulating power and resources at the expense of democratic governance and civilian institutions (Haqqani, 2005).

**Bureaucratic-military Complex:** Alavi (1972) elaborated by asserting that the bureaucratic-military complex has emerged to form an 'over-developed state' rather than an 'under-developed state'. This complex, following the colonial footprints, is not just economically and geo-strategically extractive but also embodies discursive control over the populace.

**Elite Complex:** Hussain (1976) while detailing the elitist framework and the diverse elite groups

functional in Pakistan, articulates that each powerful section, driven by self-serving political interests, has institutionalized control, power, and autonomy through political parties. Hence, intrusion into political domains which leads to the development of political elites organizes and systematizes the power of the powerful. These 'powerful' are classified into different categories with each aiming to develop the Pakistani state based on their interests; Military Elites interested in developing a praetorian state, Bureaucratic Elites in developing an administrative state, Landowning Elites in developing a feudal state, Industrial Elites in developing a bourgeois state, Political Elites in developing a democratic state, and Religious Elites in developing an Islamic state.

**Elitist Model:** Hussain (1999) explains the elitist growth model by detailing the congruency of roles and functions both the market and the state perform. The market which steers its path towards efficient and productive outcomes if kept unhindered and unobstructed, is rigged by the small group of elites who also hijack the State (priorly active in attaining political and administrative control and authority). This confluence of elite groups in both the market and State produces unproductive and inefficient outcomes that deter long-term sustainable economic growth. Ahmed (2017) validly critiques Hussain (1999)'s model by averring that the model speaks of how elites monopolize infrastructure (administration, brick and mortar, industry, agriculture, etc.) but the model is silent about the monopolization of superstructure (bureaucracy, media, judiciary, clergy, law, and politics) by Pakistani elites.

**Extractive Elite Policy Grid:** Ahmed (2017) excellently describes the policy grid institutionalized by the Pakistani elites. The grid puts forth military, industrial, business, religious, feudal, media, judiciary, and professional elites at the Center, who communicate their interests to the Pakistani state through their umbrella representative organizations (chambers of commerce, business and trade organizations, religious and professional umbrellas, etc.) and political parties (liberal, conservative, religious, regional, etc.). Since both political and representative factions have representatives of elites, hence translation of interests into the actualization of policies is easy. This framework of policy formulation as coined by Ahmed (2017) is extractive.

These examples from Pakistan demonstrate how colonial legacy institutions, when left unreformed, can perpetuate rent-seeking and extraction, hindering inclusive development and exacerbating socio-economic inequalities. These references provide insights into the concepts of meritocracy and elite control, shedding light on how individuals attain and maintain elite status within society. In conclusion, addressing the legacy of colonial institutions in Pakistan requires comprehensive reforms aimed at enhancing transparency, accountability, and equitable distribution of resources to mitigate the effects of rent-seeking and extraction on broader societal welfare.

Loomba (2015) critically analyses the concept of decolonization by un-restricting the definition to the decoloniality of space and time to absorb the coloniality of mind, culture, economy, and knowledge. The process of decolonization requires that once-colonized regions do not merely attain physical and flag independence but should also be non-physically colonized, which should ideally translate into a post-colonial state that is at once physically independent and autonomous in its economic decision-making.

Alavi (1972), however, is critical of post-colonial Pakistan primarily because the state institutions were developed by the British colonizers which he calls the metropolitan bourgeoisie. The Pakistani state is run by the military-bureaucratic apparatus which functions to make indigenous social classes subservient to them. The excessive intervention of metropolitan bourgeoisie (former colonizers) and neo-colonial bourgeoisie (military-bureaucratic apparatus-institutions inhabited by the British colonizers) are the constitutive features of what Alavi calls the 'over-developed State'. This assertion further corroborates the fact that mere physical decolonization doesn't guarantee the autonomy of a region.

## NUANCE THE DEBATE ON ELITE CAPTURE

“Elite Capture” has become a buzzword on the media in epidemic conferences and in other segments of the public conversation. However, the term is used in a lazy manner reminiscent to the naive Marxist debate of the last century. There is no attempt to nuance the debate with ideas of merit or gatekeeping or put it in the context of history and colonialism.

Is the elite capture a buzzword coined by academia to duck behind real economic issues confronted by Pakistan? With multiple competing discourses on elites and elite capture, it is pertinent to pose this question. The understanding of elites is still at an embryonic stage, hence calling elite capture out without a granular understanding of the concept and its practical manifestations in Pakistan is not only misleading but also undiscerning.

Perhaps the discourse on “elite capture” needs to understand more deeply the structure of governance and social mobility especially the nature of gatekeeping the country. With military, bureaucracy, and dynastic politics, as the controversial gatekeeping elitist domains, merit-based elites based on their hard work, creativity and dynamism need to be distinguished within elites. In terms of wealth and influence in society perhaps elite cricketers, performers and other individuals who are favoured for selling products are judged by the market to be meritorious winners. Yet they are no gatekeepers and cannot affect any economic decisions. Yet the blanket term elite capture does not distinguish the gatekeeper colonial elite from the merit-based elite, perhaps because more of the proponents have class warfare in mind.

With the footprint of the economy at over 70% which is in the hands of the gatekeeping elite, and the cost of sludge at multiples of GDP, rent-seeking is rife. Social mobility is in the hands of the gatekeeping colonial elite that jealously guards entry. Market development is severely impeded by this gatekeeping. Migration and the limited market that exists in Pakistan are the only place for merit. Let us not brand those winners in with the gatekeepers. Let us also not use the ‘elite capture’ narrative to curb the development of our infant markets. They have been stunted for 77 years. If the proponents for elite capture want to propose socialism, they should do it openly and not try to sneak it in through a vague term.

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# PIDE

## Conversation

شانیه ساید



## A Conversation with Sania Saeed

### Who would you include in the elite group?

There is an elite in every group, class, profession and political structure. I think the general understanding of the elite, is a small group of people who have control of economic resources, opportunities, decision-making processes, policymaking processes, and the impact, implementation and benefits of these processes. I also believe that elite of any field, including the seemingly progressive ones, are a small group of people usurping maximum resources and its benefits, and would never be good. So, no matter how fancy it sounds, it is not right, it will never be.

### Do you believe elite capture is an issue in Pakistan?

Elite capture will always be a problem in societies based on class, caste, feudalistic, ethnic and capitalist divides. These systems are in place to produce and socially and politically protect the elite. Pakistan is also a rare case where you find the most unique type of elite: an invisible one. The one that controls the maximum resources, the one that has the most power, the one that embodies the absolutist political agency. The one which manipulates the system the most. It had remained invisible for the last 40-50 years, but not anymore. So, the problem here is that if you cannot name them, if you cannot single them out, if you cannot put a finger on them, how are you going to solve the issue? Civilian and dictatorial elite are of course the major problems. No matter how much you challenge and question them, they always blame each other. They cannot exist without each other as they serve each other's interests. While doing so, they ensure they both flourish. They need each other for the blame game. Secondly, when everything goes astray, the public is purposefully divided to create chaos. And it serves the purpose, because in the end neither you nor I will make any sense of it. In the end, nobody will be answerable, no one will be held accountable. Here, you won't find a clear-cut capitalistic system, not a clear-cut feudalistic system, or a clear-cut dictatorial system. This lack of clarity for the people is carefully manufactured by the powerful. So, elite capture is the issue in Pakistan.

### Have you ever interacted with elites in your life? If yes, how have those interactions been?

I grew up not liking them. Knowing well that all the problems of the people were solvable if they would not capture more than their share of resources. No FOMO if I don't interact with them but it is quite



impossible, isn't it? I, in my own small way, work to oppose these forces, however possible. Times when interactions with the economic elite are inevitable, I have found their apathy quite disgusting and their disassociation with reality and shameless show of wealth and power quite distasteful.

### Has your body of work as a street theatre artist and TV/Film actor ever been resisted by the elites and how have you shown resistance to the social structures through your work?

Of course. It is quite interesting though, that one section of the elite, custodians of culture, literature etc. are patrons of the arts and the other section opposes it, but if art starts criticizing what's protecting them, they align fast. In theatre, we were talking about the system of unequal division of resources, which is why the elite exists. So, yes there was resistance. And how do they resist? They threaten you. They don't permit you. They censor your content. They don't make cultural spaces accessible, financially and culturally. They don't give you space in the news. All the reviews we ever got were because of individuals' own interests. We had no networking skills, and we didn't want to because that's what we were performing against. If I was to compromise my content to get an auditorium or a discount it would kill my purpose. Our performance at the PACC was once almost jeopardized by an excise officer demanding, and extorting money from us after our play had already started. I had to go sort it out during my time off stage. He threatened to shut the play down even though we had all the papers. We made no money on that play. If you have a group like mine, you choose to perform on the streets or in small towns and villages and auditoriums. You lose out on a lot, but it is what it is and it has a cost. So, you work consistently and build to be stronger and not so easy to shut down.

### What is merit?

Merit is a gauge societies develop to train and enable individuals to maintain systems and status quo. It can mean different things to different people though. The system says a person achieving a certain percentage in their exams is a person worthy of position, wealth or power. A person who is reproducing books prescribed by the system is assessed on a scale devised by the system and facilitated to adjust in the system, to maintain the system. The person is thinking and doing what has been programmed to do and not necessarily what is required to solve a problem. To others, merit could mean free thinking, resisting greed, strategizing to do what is in the best interest of people at large. Do not expect to change anything if you are to judge people and yourself on the standard that the gatekeeper elite, as you call it, has set because they are decided by them to keep their systems in place and to meet their purpose. Really good students with high percentages rarely do groundbreaking work, because they have been indoctrinated well and that is how they have achieved high marks. They know what you want to hear and they say it. It keeps them cozy and well-adjusted. It is mediocre students who are often the chain breakers because they could be learning a lot more than from the prescribed books and from multiple sources. They might be able to think out of the box and their answers may not always please you.

How do you train CSS officers? The ones who are up to your 'merit', you train them for months and years to be the elite. You train them to behave like rulers, to exploit, to manipulate. It's all part of the training, on which millions are spent. Similarly, in the army what do they train you for? They train you to never say no. You can be the best cadet because you never say no. How is this merit? They ask you to kill children and you kill children. How is this merit? So, it depends on how society defines merit. And if you think that the elite is the cream of the human resource and has risen because of capability, I would say, "No".

### So, you don't think that meritocracy can be an alternative to the gatekeeping elitist system?

How quickly do the meritocratic elite become the gatekeepers? I will give you a week. They would turn into a gatekeeping elite in less than that time. You have set the merit to rise to that power and the power is of the gatekeepers. They train the people on merit to be gatekeepers. You are misunderstanding merit here. That is why I am saying question merit, you are asking the wrong question. The meritocratic elite is trained to become a gatekeeping elite. The question is, merit according to whom? Merit, according to the gatekeep

-er. The people of this country, including my friends genuinely believe, how is the system to work otherwise? So, you have not only trained the elite to be the elite but also the common man to be the passive subject to that elite. Have you seen how the protocol staff behave and function for their bureaucrat masters? Have you had interactions with the bureaucratic elite in their official spaces? How they look down upon you? How long they keep you waiting for fundraising and charity events? It's nauseatingly ugly. I don't see any difference between the hawari of a feudal lord and them. All your bureaucracy is seeded in this feudalistic mindset. All of it, 100 per cent. They expect you to serve just like a feudal expects his hawari, his mazara, his kisan, his mureed to be subservient to him. They consider themselves kings. They don't expect disobedience. If you disagree, they get upset. They have been trained to never be challenged. It is part of their 'meritorious' training. To me both meritocracy and gatekeeping elitism are the same that is why we talk about revolution and not a reform because who will bring about this reform? The same meritorious elites who have been trained to the merit decided by the gatekeeping elite. So anybody with any different ideas will be rejected on 'merit'. A democratic organization,



**Our system is neither clear-cut capitalist, nor feudalistic or dictatorial; this lack of clarity is carefully manufactured by the ruling elite in Pakistan to create chaos among the masses.**

if there is a democratic organization left in this country at all, would say it is okay to say no, explain your reasons, I will give you my reasons, and even after that if you don't want to agree on a matter, you are most welcome not to. Militaries and bureaucracies do not function like that. They believe the system manufactured by them is the only system that works and that is the only system that should exist. Whatever they learn from foreign training is rarely implemented here because they want to live off the existing system, they cannot afford it to change. They do the same with the business elite. Businesses must collude with them to survive. If you don't they will not give you gas, electricity and water. They go hand in hand. As long as they do their part they will not be questioned, no matter how much toxic waste they dump in the rivers and seas and drinking water, how many trees they cut, no matter how much carbon emits from their industries, what labor laws are broken, how much cultivatable land is turned into residential societies? Will these business elite ever be answerable? To whom? To policymakers? Who are the policymakers? The meritocratic elite! Who are the meritocratic? The ones manufactured by the gatekeeping elite! It's a vicious cycle.

You very well know what happened to the intellectual rebels. The ones that could not be scared or bought are either dead or exiled. Today, the weakest elite is the intellectual elite of Pakistan.

And the new found religious elite! The colonizers were spot on in deducing that if this region is to be controlled, use religion as an instrument and design a powerful elite. They have repeatedly shown that they will not be controlled, even by their creators.

Despite some strong resistance and political awakening and movements in some parts of the country a large number of people remain apolitical or have no ideological positions. They are still hero worshippers waiting for Gadot.

The 'meritocratic' elite will be at the receiving end of this oppression though, sooner or later. I am afraid of the anarchy and chaos that will bring. If there can be more.

### **Is there elite capture in the media industry?**

It is a multi-faceted capture. Your media is 110 per cent business-run. TV channel owners today are people who had nothing to do with art or creativity. They are business people. So the financial resource dominates content. They have taken complete charge of how and what goes on air. To me that's capture of creative resource. They also don't think they need to be

responsible for what they feed their audience.

News channels were run by newspapers. Resistance that journalists showed in the papers reduced with TV news channels. They started earning exorbitant amounts of money. If you can't be bought you will be thrown out or worse, fairies will abduct you. A new breed of nonstop talkers took over. We all now know who controls them. That's capture of our fundamental right of information which to me is resource. Now these are the people recognized as the elite in media. They run the show, they make the rules.

### **What about the entertainment industry?**

In the entertainment industry, you are dependent on sponsors. These sponsors are your everyday commodities, who need minds that can be easily exploited. If entertainment helps me be an independent woman who makes independent decisions, why would I have a complex about my hair? I won't have a complex about my skin type and tone. If I don't have such complexes, I won't buy your skincare products, soaps and shampoos. But if I have developed such fears, what would I do to fit into the standards of a prototype woman? I will start cooking food in a particular brand of oil because that's what makes a mother popular, the one who buys pampers, the one who prepares specific drinks in Ramadan, who is part of a household care economy, subservient to the household needs. First they manufacture prototypes, and then they feed off those prototypes.

They construct the drama narrative around this prototype. This elite has captured the narrative and narrative is a crucial resource. Through this narrative, they have captured your complex mindsets. Such narrative controllers won't propel stories where a woman is happy earning independently, a widow or a divorcee who is doing well for herself and her children, whose children are successful. Such uplifting stories of women are missing. I guess their focus groups must have shown happy women don't buy beauty products or gold as much to prove their self-worth. Our people want to see such stories. These are the people for whom the merit of good and bad has been constructed. Good and bad human beings, good and bad women, good and bad households, acceptable family structures, and morally upright behaviors. Who has ascertained these merits? The same gatekeepers have.

**In entertainment industry the narrative is a resource which unfortunately has been captured by the sponsors!**

### Has the journey been difficult?

If I can be completely honest, not so much for me. It would have been if I didn't have supportive family and comrades, who defined success differently. My friends at work joke sometimes that most people make a career by saying yes to jobs, I have made mine by saying no. It is 32 years of saying no to what I did not agree with. I have commuted to shoots on busses and rickshaws, did odd jobs, voiceovers, write, so that I could say no. I had to work double and triple as much to be able to say no. I limited my needs, lived a rather unglamorous life so I could say no to lucrative projects but stories I didn't want to tell. It has taken a village to frame this mindset and keep me secure.

### Any parting thoughts?

I have survived in this industry by sticking to what not to do. If you skim through the weakest of the scripts I have been associated with, it does not glorify decadent, regressive ideas. In its weakest, smallest unpopular way it has still pushed for honest conversations that take us forward. I will always do a less 'popular in the masses' Sang-e-Mah, Raqeeb Se, Aseerzadi and Sang-e-Marmar as compared to a khirhki torh TRP regressive play, the elite of this sector or any other can want whatever they want. And that is the least we can do.

**32 years of saying no to regressive narratives has made me the artist I am today. I have commuted to shoots on buses & rickshaws, did odd jobs, voiceovers & write so that I could say 'no'.**

**Have you seen how the protocol staff behave & function for their bureaucrat masters? I don't see any difference in the hawari of a feudal lord & them. The bureaucracy is seeded in this feudalistic mindset!**



# CLARIFYING THE CONCEPT



# Elite capture or elite failure?

Fayyaz Baqir

State played a pivotal role in capitalist development in latecomer capitalist economies like Germany, France, and Austria, and the Development Project of non-capitalist economies and expansion of capitalist market system during colonization of many Asian, African, and Latin American countries. This was done by subsuming pre-capitalist economies under the capitalist market. Expansion of the 'free' market to vast swathes of lands in these colonies meant encroachment of pre-capitalist community economies, expropriation of commons, creation of highly unequal patterns of development, dislocation of resources and marginalization of pre-capitalist communities (Leitner 1882, Haq: 1966, Li: 2007, Lewis: 1969, Chang: 2011). Every new wave for deeper penetration of these socio-economic formations reproduced existing inequalities between the 'global' capital and 'local citizens' in new and at times more challenging ways (Mosse:2005, Li:2007). Due to the failure of state policy and the free market to improve the quality of life of the poor, foreign assistance (and debt accumulation) has been seen as a panacea to solve the problem of underperformance. This framework is based on three critical assumptions. One, embracing the capitalist market is the natural and linear path for development to be taken by non-capitalist economic formations. Two, the state plays a key role in the expansion of the capitalist market. Three, the state is a monolith, and the relationship between the state and citizens is seen as a unilateral relationship between the donor and the recipient and not interdependent. So, the accumulation of debt and transferring the debt burden to the poor through indirect taxation framed as elite capture explains the state and market failure in developing economies like Pakistan. This narrow view of the state-citizen relationship implies that the allocation of

more resources by the state to the citizen, and the 'reversal' of the elite captures the solution for the underdevelopment of human capital and extremely unequal distribution of income (Ahmed: 2008, Sachs: 2018).

Conversion of the allocations made by the state into outputs and outcomes depends on the political context and system of governance (Leftwich: 1994,2002). A system of governance based on exclusionist ideology and practices, reflected in high administrative costs (Hasan: 1997) and narrow taxation base (Cyan and Martinez: 2015), cannot address the human development and poverty alleviation problem by introducing apolitical and historical rules and norms of accountability. A shortcoming of such 'technical solutions' is reflected in the functioning of the market. The market fails due to a lack of profit-making opportunities caused by diseconomies of scale for delivering services to disorganized low-income communities i.e. fragmented receiving mechanisms (Husain: 1992 Khan: 1996). State and market failure creates 'anarchy' at the community level (Khan: 1996). It leaves the field open for both civil society and rent-seeking sections of society to take over the delivery of services. Productive rent seekers can provide part of the solution by expanding investment in the human development sector due to its profitability (Hasan: 2007, Rahman: 2008). Civil Society Organizations succeed if they create the necessary conditions for neutralizing unproductive rent-seeking by establishing solidarity networks and initiating the process of community-state engagement for the improvement of services (Hasan: 1997, Pate et al. 2001, Pervaiz et al. 2008).

To further explore the issues raised earlier it is pertinent to ask why the available means for service delivery are not converted into outputs. Is deficient service delivery caused due to elite capture, lack of inclusive governance practices, rent-generating practices of the state functionaries or due to rent collection by unproductive groups? In specific one needs to ask if a low level of service delivery is caused due to the limited management capacity set of the state or infringement of the local agency due to exploitative relationships between the elites and communities. (Sen 1999, Hasan: 2007, Khan: 1980, UN: 2004, Rahman: 2013, De Herdt and Bastiaensen: 2008, Khan: 2004). In this connection, one may also ask if deficient service delivery is caused due to the absence of a dynamic state with an appropriate set of transformative capacities; the absence of democracy or weak organization of social power (Khan: 2004, De Herdt and Bastiaensen: 2008, Oxhorn: 2011) due to a manipulative of mechanisms that perpetuate inequalities, or domination of 'outsiders discourse' (Mosse: 2010). Put another way; one may ask if programs for improvement of human capital are constrained due to political-economic relations they cannot change or due to their failure in exploiting the range of possibilities inherent in the given relationships (Li: 2007).

Why does the legal and fiscal space provided by the state not result in access to basic services and the improvement of human and social capital in low-income communities? Is it due to exclusionist governance practices based on the unproductive rent-seeking behaviour of ruling elites or the failure of civil society to counter the unproductive rent-seeking behaviour by initiating and sustaining inclusive social processes for seeking access? What are the origins, causes, and consequences of these practices? Can inclusive social practices reverse the exclusionist governance practices within the existing system and available means? What are the essential ingredients of inclusive social practices for achieving access to water supply services? Elite is one side of the equation; solidarity networks are the other side. Failure of the elite capture and success of solidarity networks can be seen if we start looking at the magnitude of solidarity network's impact in the provision of welfare services, support to social justice and introducing progressive legislation.

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# CLARIFYING “ELITE CAPTURE”

Umair Javed

In public discourse, the term “elite capture” is increasingly used as a shorthand for various problems relating to governance and policy decision-making in Pakistan. There are merits to this use, though its intended analytical impact can be sharpened via the clarification of some key aspects. How are elites defined? What does elite capture entail in Pakistan’s case? What are the mechanisms that sustain elite capture? And finally, why can it plausibly be deemed a problem?

The term “elite” comes from the sociological study of power and stratification, and has antecedents in Weberian and Marxist sociology. Weberian sociologists draw models of social hierarchy based on power and use of resources and the returns these resources can obtain under conditions of market exchange.<sup>3</sup> In this framework, elites are individuals or groups of individuals who carry significantly more valued resources (wealth, credentials, political legitimacy, or public authority) than other groups. In other words, elites are defined by the type of power and resources they possess.

Marxian sociologists, on the other hand, have long preferred the term ‘class’ to categorize groupings of people based on their specific role and relations in the processes of production. In classical models, the dominant class under capitalism is the capitalist class – i.e. industrials and other business owners who control the means of production. However, with the development of modern managerial and shareholder capitalism and

the growth in the power and autonomy of the state, we are confronted with the presence of new groups (like professional CEOs, lobbyists, state officials etc) who are in a relationship of social dominance with others, without necessarily “owning” the means of production.<sup>4</sup> These can be classified as elites.

Across both frameworks, control over power and access to resources – whether through possession of specific credentials, relational positions of authority, or wealth – remain a central characteristic of any group that is classified as elite. High-ranking state officials, industrialists, large landowners, and high-ranking professionals can all be plausibly categorized as elites. It also follows from this definition that elites exist across all societies, though their relative power may differ depending on the degree of inequality in that context.

The term elite capture refers to recurring process of governance and state intervention (through commission or omission) that provides ‘undue’ or ‘unearned’ advantages, or rents, to the elite. Undue here means that such advantages are conferred by law, regulation, or informal practice of the state rather than through the abstract notion of free competition. The term ‘capture’ specifically points to the entrenched and recurring aspect of obtaining these advantages.

<sup>3</sup>Domhoff GW. 1967. Who Rules America? Englewood Cliffs, NJ: Prentice-Hall

<sup>4</sup>Mills CW. 2000. The Power Elite. Oxford: Oxford Univ. Press

Standard examples of such undue advantages from the Pakistan context include subsidies and tax breaks for certain categories of businesses who are otherwise not competitive at a global level; state officials rewarding themselves with wealth transfers (such as subsidized land, arbitrary increases in remunerations); politicians rewarding favoured media houses with government advertising, and so on<sup>5</sup>.

For our interest, it is useful to lay out the mechanisms of how these undue advantages are repeatedly accrued to different types of elites. The first mechanism is the relationship between wealth and power.<sup>6</sup> In Pakistan, money buys access to power and, in many cases, power itself. Politicians elected to national and provincial legislatures tend to be propertied elites – both rural and urban.<sup>7</sup> Their behaviour in office in terms of laws passed and issues given attention to is conditioned by this background, leading to reproduction of advantages that sustain their privilege.

Another key mechanism is the continued formal role for the state in a wide variety of societal domains. This takes a variety of straightforward forms, such as bureaucrats determining taxation policy – i.e. which specific sub-sector gets a rebate or protections through tariffs; or land zoning and development authorization; or something as basic as determining their own perks and remunerations. The persisting role of unchecked and opaque bureaucratic authority is thus a key mechanism through which elite capture (specifically of the state elite) is sustained.

If elites exist in every society, and there is longevity in the types of groups that can be classified as elites, why is elite capture deemed to be a problem in Pakistan? After all, business owners and high-ranking state officials are powerful in all contexts to varying degrees.

In Pakistan's case, the specific nature of elite capture has produced three harmful consequences that are worth considering. The first is that the recurring 'undue' advantages such as subsidies and protections granted to some types of elites have hollowed out productivity in the economy. Barely anything produced in Pakistan is competitive at a global level, leading to the boom-bust cycles and frequent balance of payment crises that characterize our macroeconomic trajectory since the 1980s. Because rent-seeking is a viable firm-level strategy to secure returns on capital, there is no incentive for greater competitiveness.

Secondly, the devotion of public resources for other ends – such as enrichment of state officials and to pay off the interest on debt taken to sustain the state – places hard limits on the adequate development of human capital. The consistent underfunding of health, education, and other related social sectors results in a population that ranks the lowest in the region as far as human development outcomes are concerned<sup>8</sup>.

Finally, as mentioned earlier, specific categories of elites remaining at the top of power and resource pyramids in the country is not necessarily a unique problem. What makes Pakistan's case more problematic is the lack of churn within elites; i.e. the inter-generational persistence of elite status within certain families and households.

Nowhere is this more visible than in the identity of political representatives, drawn from a pool of a few hundred families since the time of statehood.<sup>9</sup> However even beyond politics, a relatively small pool provides constituent members of business elites, high-powered professionals (lawyers, corporate) and high-ranking state officials. Thus Pakistan's particular variant of elite capture perpetuates stagnation in mobility and widening of inequality.

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**PIDE**

*Conversation*

هائیکو سینگل

# THE TYRANNY OF MERIT: WHAT'S BECOME OF THE COMMON GOOD

Michael Sandel

## A CONVERSATION WITH

*Michael Sandel*

The tyranny of merit is a paradox because usually, we think of merit as a good thing, something to aspire to, something to honour. Suppose the alternative to merit is cronyism, corruption, nepotism or hereditary privilege. In that case, the principle of merit is a good thing and a liberating one so much so that we come to think of merit as the principle of distribution as defining the meaning of justice. It is true that if I need surgery for a well-qualified surgeon to perform it then it's merit, the one who is well-qualified for a role. If I am flying, I want a well-qualified pilot at the controls. So, how come merit becomes a tyranny? This takes us to the ideal of meritocracy. Now meritocracy is a term that only came into familiar use in the late 1950s. The term was coined by British sociologist Michael Young who was affiliated with the Labor Party. He was writing at a time when the class system was finally beginning to break down, when people from the working classes were finally having an opportunity to get a good education and to compete for jobs with those who came from wealthy families, and who had gone to privileged schools. And this was a good thing that Michael Young saw that there was a dark side to the principle of meritocracy and in his short book he imagined how it would play out. He imagined a future in which all there is to achievement would be removed and that would be a good thing, but it would lead towards an attitude towards success that would be damaging to the common good. If we are to imagine a perfect meritocracy with perfectly fair equality of opportunity, that would be good. That would be an improvement under the current situation. But there

would be a likelihood of risk, he thought, that the winners those who landed on top believe that their success was their own doing, after all, they have earned it in fair competition and by application those who fell short, those who struggled they must deserve their fate as well. These attitudes towards success, the hubris that meritocracy breeds among winners, the demoralization that produces among those left behind- these attitudes towards success are the dark sides of meritocracy.

What we have seen is inequality globally. Meritocratic attitudes towards success have intensified this inequality. Those who have landed on top have come to believe that their success is their own doing, the measure of their merit. And they therefore deserve the full measure of the bounty that markets bestow upon them. And they come to believe by implication that those who struggle in the global economy have no one to blame but themselves. This is the dark side of meritocracy. I call it, the meritocratic hubris among winners; the tendency of the successful to inhale too deeply of their success, to forget luck and good fortune that helped them on their way, to forget their indebtedness to those who made their achievements possible. These harsh attitudes towards success which are connected to the meritocratic ideal, I think, have contributed to the loss of social cohesion and the difficulty of summoning solidarity in societies that increasingly are ridden by inequality. The problem is not inequality alone. The problem is injustice which is compounded by the insult to those who struggle.

The insult that your failure is your fault. You deserve where you have landed because insofar as society is a fair competition you have run the race last or perhaps you haven't learnt to run the race at all. I think this hardening of meritocratic attitudes towards success has coincided with growing inequalities in many of our societies certainly in my own in the 4 decades of globalization when the greatest rewards have gone to those on the top and when the bottom half of our population have enjoyed almost none of the economic growth that globalization has produced. As a result, of the harsh attitudes towards success because of the hubris among the winners and humiliation among those left behind, the resulting people are becoming more resentful of the elites. And we see this playing out politically. We have seen it played out in the UK and Brexit in 2016, when overwhelmingly those with advanced degrees were voted to remain in the European Union and those without a college education were voted to leave. Then few months later we saw it in the United States with the election of Donald Trump who overwhelmingly won the vote; a man without a university degree.

In Western democracies, in the United States, in Britain, in France, in Germany, several left parties in particular have suffered from the populist backlash because one of the deepest divides in politics has become the divide between those with wealth and those without university degrees. It used to be that parties of the left drew upon constituencies of the working people. And they defended working people against the powerful and the privileged. But by the 1990s and 2000s, these parties became increasingly identified with the well-educated professional classes and less and less oriented to the values, interests and outlook of the working-class voters who once constituted their base. I think it has to do with the educational divide, the diploma divide, this has to do with the intensified emphasis on meritocracy. So, we have a difficult project. On one hand, we encourage people to work hard, but we don't want to create a public culture in an economy that teaches people that they are self-made and self-sufficient, that teaches the successful that success is their own doing because if I believe that my success is my own doing it becomes



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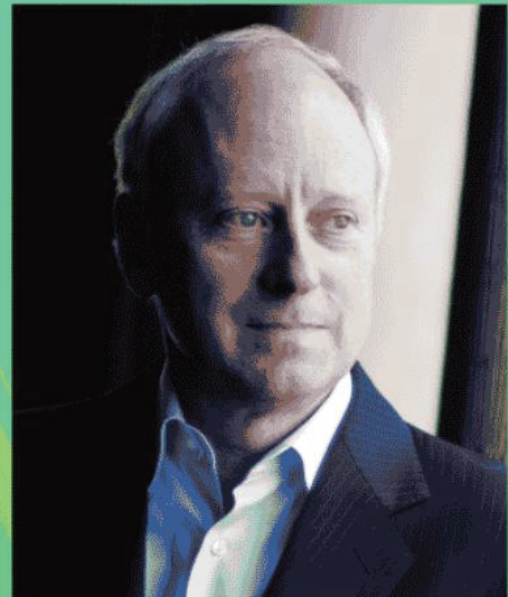
## The Tyranny of Merit: What's Become of the Common Good?

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**Michael Sandel**

Political Philosopher, Harvard University

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difficult to identify with those less fortunate than myself. Being aware of the role of luck and contingency in life, and reminding myself of my indebtedness can prompt a certain humility. This attitude of humility is a civic virtue in short supply these days. But it is this civic virtue that I think we need. It could sense the recognize the role of luck in good fortune among the successful. It could prompt humility which could in turn open us to a greater sense of responsibility, of mutual responsibility for everyone in our society. It could open us to a greater appreciation of the dignity of work performed by many whom we rely on who don't have advantages degrees and prestigious credentials.

The pandemic in a way brought us that lesson more vividly than before. The pandemic revealed inequalities in our societies. They existed before the pandemic. But it made those more vivid. One of the most obvious ways it did this was during the lockdowns those of us who could work from home and hold webinars and meetings on Zoom but many of our fellow citizens didn't have that luxury, have either lost their jobs or performed to secure their jobs had to take risks on behalf of the rest of us. I am thinking not only of those in hospitals but also of delivery workers, warehouse workers, grocery store clerks, childcare workers, and truck drivers, these are not the most highly paid or the most honoured members of our society. During the pandemic, we began to refer to them as essential workers, as key workers, so this could be a moment for a broader public debate on how to bring their pay and recognition into better alignment with the importance of the work they do.

We often assume that the money people make is a major part of their contribution, is the common good. The pandemic I think has led us to question that assumption. Nobody I know was calling bank managers essential workers in the pandemic. The nurse workers, the warehouse workers and the delivery workers were the essential workers. So, I think what we need to do is to shift our focus in public discourse away from earning people for meritocratic competition to a great emphasis on the dignity of work, cultivating respect and honour, and recognition for those who make invaluable contributions to the common good, even though the market is not the full measure of the merit of their contribution. So, these are the reflections which ultimately connect to the question of justice, to the question of who deserves what and why, the questions we need to ask again, especially in the light of the pandemic because I think it's the only way to lead us beyond the harsh ethic of success that drives us apart. Perhaps asking these questions and debating them publicly can lead us to a less divisive and more generous public life.

Michael Sandel was talking with Nadeem ul Haque in a PIDE webinar.

# THE ELITE NETWORK BLOCKING PAKISTAN'S PROGRESS



Zainab Ali

Few months ago, I went on a trip to Lahore with my friends and like many of the nouveau travellers to Lahore, we went to many of the stereotypical local spots such as Badshahi mosque and Shalimar Garden. To travel to these spots, we took the most popular option of going on the Orange Line bus, which gave us quite a peripheral view of Lahore. Looking outside from the bus, there was an array of an endless collection of small and shabby-looking houses lined up together with narrow streets. This scene would continue for some time until we would reach our destinations. Keeping this in view, on the last day, we had decided to visit a small and popular neighborhood in DHA. Indeed, many of the popular societies such as DHA and Bahria town are drastically way better than what we had seen from the bus, however, many of my friends and I were not ready to see what awaited us in this area called "Defence Raya". It is an area that has been famously compared to Dubai. As we came out of our rented car, we started seeing an outpour of lavish cars from behind, ranging from Mercedes to Prados. This was in stark contrast with what I had seen on my arrival in Lahore from a local train. As I was there and kept looking around, I couldn't help but wonder, just like many people before, who were these people that were coming in these fancy cars? How have these elite people been able to create a separate world for themselves?

Before we can explore this, let's expand on who elites are.

Elites are simply those people who have more power and money than an average citizen. To further elaborate on it, Hashmat et al in their study "Roles of Elites in Pakistan" have described elites as citizens who are superior to the rest of the population in terms of power, authority, and capability, wielding significant influence and playing a crucial role in any state or community. They play a significant part in practically every civilization<sup>10</sup>. These sorts of elites exist in all segments and parts of Pakistan. They can be your professor, manager and simply anyone who is higher up in the hierarchy and has influence over you.

In Pakistan where corruption is so ripe, many of the elites have the upper hand in formulating policies in Pakistan in such a way that it benefits them. PIDE has described elite capture as elites formulating systems and policies that are for their gain instead of the development for everyone<sup>11</sup>.

<sup>10</sup> Khan, H. U., Rahman, F. U., Khan, T. A., & Rahman, G. (2018). Role of elites in Pakistan. ResearchGate. [https://www.researchgate.net/publication/326985062\\_Role\\_of\\_Elites\\_in\\_Pakistan](https://www.researchgate.net/publication/326985062_Role_of_Elites_in_Pakistan)

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And this is very much visible in the unending credentials and approvals that are required to start a legal and profitable business in Pakistan. To have a profitable legal business in Pakistan, you require a lot of capital and time before it starts to make a profit. By creating these systems where everything is so regulated, it makes sense that the whole of Pakistan does not reflect “Defense Raya”. It is due to these heavy regulations that smart and talented people who have no resources have such a difficult time becoming part of the elites.

Regulations are necessary to preserve order, defend rights, provide safety, and promote societal well-being. They establish a framework in which individuals and corporations may function fairly and responsibly. However, these heavy regulations in Pakistan only hide the sinister intentions of the elites behind this facade and prevent creating an encouraging environment for businesses to thrive. Many of these regulations only encourage monopolies or oligopolies. In the case of oligopolies, cartels are formed where they create strategies to foster their growth and trump on the newcomers. It is with these calculated actions that elites can capture the resources and systems made for average citizens to benefit them. The government made to serve the people of the country mostly consists of elites. They influence and approve policies that are only in favor of them. Elites are indeed too bad for the region they belong to. In the case of Lahore, elites there have been able to exploit the poor for their own benefit. The city has drastically deteriorated over the years at large and has only kept a small proportion of the city livable and habitable.

In a country where the power can be with the few, why wouldn't they want to create a separate world for themselves? These elites don't care to fund and create systems where good education is available to everyone if their kids are well-educated. This has been best described in an article called “Hanging out with Pakistan's 1%”. The affluent do not need to enhance the educational system since they can send their children anywhere, they choose. Why should they enhance the healthcare system when they can travel to Dubai? It only becomes an issue when they believe they will not be voted into power. The elite understands this, although the middle class may be unaware<sup>12</sup>.

In conclusion, Pakistan's elites have disproportionate power and money, influencing official policies and societal dynamics. They may be found in a variety of sectors of society, from academia to corporate management, and their positions of influence allow them to create systems that favour them despite widespread corruption. Current regulations highlight the enormous hurdles in starting lawful, lucrative enterprises as stringent laws prevent smart people with limited means from rising to elite rank. Although rules are supposed to preserve order, protect rights, ensure safety, and promote social well-being, in Pakistan, they often serve to entrench the power of the elite, promoting monopolies and oligopolies while inhibiting new entrants. The negative consequence of this privileged supremacy is also seen in Lahore, where the exploitation of the poor has resulted in considerable urban deterioration, benefiting only a small, affluent segment of the community. In a country where power is concentrated in the hands of a few, it is unsurprising that these elites aim to establish an exclusive world for themselves, prolonging inequality and suffocating overall socio-economic growth.

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# HOW ELITE CAPTURE IS CHOKING PAKISTAN'S ECONOMIC POTENTIAL

Muhammad Zeshan



The Karachi heat hangs heavy, mirroring the frustration simmering beneath the bustling surface of Pakistan's economic hub. In the complex alleys of Saddar Market, commerce thrives with the entrepreneurial spirit. Yet, beneath the surface hum, a disquieting truth festers: Pakistan's economic engine sputters, its potential crippled by a self-inflicted ailment – elite capture.

For decades, the narrative has been one of nurturing domestic industries and boosting exports through import tariffs and export subsidies. These policies, championed by powerful interest groups, were meant to be the grease that keeps the economic wheels turning. But a recent research project titled *Costonomics* by the Pakistan Institute of Development Economics (PIDE) paints a starkly different picture. Pakistan's economy is choked by a staggering \$6 billion annual burden – the cost of these very policies.

This isn't just a theoretical number. Take a walk through the gleaming factories of Faisalabad, the heart of Pakistan's textile industry. Here, the story unfolds in worried whispers and furrowed brows. The study reveals a harsh reality: export subsidies, designed to be a competitive edge, distort the market, creating an uneven playing field. While some benefit from this artificial advantage, others, even the most efficient

textile companies, struggle to compete against artificially inflated prices. The result? A stifled industry, unable to reach its full potential, and ultimately, fewer jobs created in the long run.

This isn't just about textiles. The \$6 billion burden is distributed unevenly, disproportionately impacting exporting industries compared to domestic ones. While some argue these policies create jobs, a closer look reveals a skewed picture. The study shows that eliminating these distortions would unlock a wave of growth across various sectors. Imagine the hum of activity in the industrial zones of Lahore as production in electrical goods, vehicles, and computer & electronics surges. These are the industries with true competitive potential, waiting to be unleashed. This translates to a significant increase in jobs, not just in the heavily subsidized sectors, but in those with the potential for long-term, sustainable growth.

Of course, dismantling a system deeply entrenched in vested interests requires a tailored approach. A drastic overnight shift would be akin to yanking the steering wheel on a speeding car – a recipe for disaster. What's needed is a phased, well-coordinated strategy.

PIDE suggest a three-phase roadmap towards a level playing field. The first phase involves a gradual

reduction of tariffs and subsidies on key intermediate raw materials and heavily subsidized exports. This initial step, spread over three years, allows businesses to adjust and adapt to the changing environment. The second phase, a one-year period, maintains the uniform tariff and subsidy rates achieved in the first phase, providing a period of stability. Finally, the third and final phase acts like a gear shift, completely eliminating all tariffs and subsidies, and allowing the engine to run at full capacity.

But this journey requires more than just tweaking the economic engine. Bureaucratic red tape – the bane of countless entrepreneurs – acts as a handbrake, slowing down progress. Imagine the frustration of a young entrepreneur in Karachi, her innovative tech startup bogged down by permits and approvals. Streamlining non-tariff barriers and simplifying bureaucratic processes would be akin to removing the handbrake, allowing businesses to accelerate towards their goals.

Some might argue that dismantling these policies could hurt established industries. However, the evidence suggests otherwise. The study shows that eliminating distortions fosters a more competitive environment, one that rewards innovation and efficiency. Imagine the bustling workshops of Sialkot, the heart of Pakistan's sporting goods industry. Here, with a level playing field, smaller, more agile companies can compete with established giants, pushing the boundaries of design and quality. This, in turn, strengthens the overall industry, creating a virtuous cycle of growth and job creation.

The path forward isn't without its challenges. Powerful interest groups who benefit from the current system will resist change. There will be bumps along the road, adjustments to be made. But the alternative – clinging to a flawed system – is akin to driving with a flat tire. It may get you there eventually, but the journey will be far more arduous, the destination much further away.

Pakistan's story is not one of a broken engine; it's one of a deliberately tampered one. The shackles of elite capture have held back our economic potential for far too long. By dismantling this system, we can unleash the true power of our industries, create a dynamic job market that rewards innovation and hard work, and finally shift gears towards a future of sustainable economic growth. The choice is ours: remain stuck in a cycle of stagnation, or unleash the power within, and transform Karachi's bustling streets into a testament to Pakistan's true economic potential.

Hence, we suggest a coordinated approach as a way forward:

- **Phase-out approach:** This is a three-phase (five year) scenario. In the first (three year) phase, reduce import tariffs on the most protected intermediate raw materials also cut the export subsidies on the most protected exporting industries, until the tariff and subsidy rates in all the trade lines converge to their respective averages.
- **Second (one year) phase:** Maintain the uniform tariff on and subsidy rate on all the trade lines (the targeted averages).
- **Third (one year) phase:** Uniformly eliminate the tariffs and subsidies on all industries.
- **Comprehensive policy overhaul:** Streamline non-tariff barriers, bureaucratic processes, enhance trade facilitation mechanisms, and fortify institutional frameworks to amplify the benefits of competitiveness.

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# ELITE CAPTURE ON STEROIDS

**Taimur Rahman**

Finance Minister Mohammed Aurangzeb earlier announced the proposed budget amidst clamour and uproar in the national assembly. In his speech he laid down the overall vision for the economy, emphasizing that Pakistan must move from a “state driven to a market driven economy”. Moreover, he explained that this will decrease elite capture in society.

These claims are very much part of the overall neoliberal paradigm that economists have heard over the last several decades. The central argument, derived largely although not exclusively from the Austrian school, is that the state cannot get the prices right. State activities create rigidities and more importantly, economic rents in the structure of the economy. Once the role of the state is reduced, the market will get the prices right and restore efficiency.

Politicians who championed these neoliberal ideas, particularly Margaret Thatcher and Ronald Reagan, could win the popular vote against those who advocated for a welfare state by arguing that they would reduce the size of the governments and hence lower taxes. The premise of the argument was that states create elite capture and that markets will create a meritocracy.

These ideas are naturally also hegemonic in the IMF whose main goals to achieve macroeconomic stability are through an open market economy with a floating exchange rate together with a balanced budget.

Of course, a balanced budget can be achieved with a larger or a smaller government. A larger government will mean higher expenditures and higher taxes and a smaller government will mean lower expenditures and lower taxes.

Although the government chimed in with this discourse of the IMF, its policy choice, as represented by the budget of 2024, was designed for a larger government with far higher taxes.

Let us briefly look at the data of the budget proposals for FY2025. The total budget outlay is set at Rs. 18.9 tr which represents nearly a 30 per cent increase from last year (see fig 1). Current expenditures outlay is at Rs. 17 tr which is a 29 per cent increase from last year (see fig 2). Federal revenue target is Rs. 17.8 tr which is an increase of almost 49 per cent (see fig 3). The FBR tax target is Rs. 12 tr which is a 38 per cent increase from last year (see fig 4). Public Sector Development Program is budgeted at Rs. 3.7 tr which is a 40 per cent increase (see fig 5). Similarly, debt re-servicing is up by 34 per cent. Moreover, the government is also expecting 20 billion USD in external financing.

These figures indicate that the government is by no means getting smaller. With such massive increases in expenditure outlays, taxes cannot be lowered.

The irony, of course, is that this completely contradicts

the economic philosophy described by the Finance Minister - that Pakistan needs to move from a state to a market led system of development. In fact, the state is becoming larger, not smaller, and that too by a record amount.

If the rhetoric of neoliberalism is in direct contradiction to the reality of a much larger government, why is the FM talking about a smaller government? The answer is that the government is not being made smaller at the aggregate level but that it is being made smaller only in certain areas. The rhetoric is deployed only to slash certain budgets, while maintaining or even growing others. Hence, the real question we must ask is, who is getting more and who is getting less.

We can see that defence spending is up from Rs. 1.85 tr to Rs. 2.12 tr. This represents a 17.6 per cent increase. Salaries for Government Servants of grades I7-22 have been raised by 20 per cent.

International Power Producers (IPP) whose exorbitant capacity payments have paralysed the government budgets and forced them into cyclical debts while also raising the cost of doing business through increasing electricity costs are not going to see any changes in their massive payouts?. In fact, the FM has made it clear that the circular debt will be addressed mainly by increasing recovery from consumers and by privatising DISCOs (distribution companies). The privatisation of a natural monopoly threatens to further raise the price of electricity and hence also increase the cost of business. This naturally will not increase our global competitiveness but reduce it.

The privatisation of PIA has been discussed front and centre but four of the six bidders are other airline companies. With the subsequent decreased competition, airlines will be able to dictate ticket prices of their own choosing.

How is all this going to be financed? The FM says that the tax to GDP ratio must be increased. "The reality is that a 9.5 per cent tax-to-GDP ratio will not run a country," argued the Finance Minister. In fact, the tax to GDP ratio of countries in South Asia is largely the same as Pakistan. Bangladesh, whose recent economic development is praised by all government ministers has a tax to GDP ratio of only 7.8 per cent. Sri Lanka's tax to GDP ratio is 10.8 per cent, while India's is 11.6 per cent. This shows that, in fact, Pakistan's tax to GDP ratio is average in the region.

The FM also states that there will be no "sacred cows" as far as taxes are concerned. But he does not mean the judges, generals or bureaucrats. In fact, he makes it clear

that he is targeting sales tax and custom duties. It also includes anyone with over Rs. 50K salary per month. In fact, the highest raises in the salary slabs (up to 100%) are from the lowest salary slabs. The FM seeks to raise an additional revenue of Rs. 70 billion from the already taxed salaried class while ignoring agricultural income which enjoys tax exemption even though it constitutes a large part of the economy.

There are also an entire host of indirect taxes on various items such as personal computers, laptop computers and notebooks, stationery items, vermicelli, sheermal, bun and rusk, and sweet shops, poultry and cattle feed, newsprint and books. There is a withdrawal of tax exemption on import of ground nuts and margarine, food confectionary, fresh and dry fruits, and hybrid vehicles. There are increased custom duties on imported aerosol products. And there is an increase in sales tax from 15pc to 18pc on point-of-sale retailers dealing in "expensive and branded" leather and textile products. There is a Rs. 15/kg FED on supply of sugar to manufacturers and similarly, a Rs. 2 to 3/kg FED on cement.

There is a massive cut of Rs. 30bn in sales tax exemptions of the health sector which will increase medical costs.

To sum up, the army, private banks, bureaucrats and IPPs will get more and the salaried class, consumers and retailers will all get less, further creating inequality of income between classes.

Hence, not only is the neoliberal promise of a smaller government and lower taxes contradicted by the record increase in the size of the government with the budget for FY 2025, but even more importantly, the deployment of this neoliberal narrative only serves the purpose of increasing the cut given to the traditional elite while reducing the share given to the general public. If this is not elite capture on steroids, what is?

Figure 1: Budget Outlays

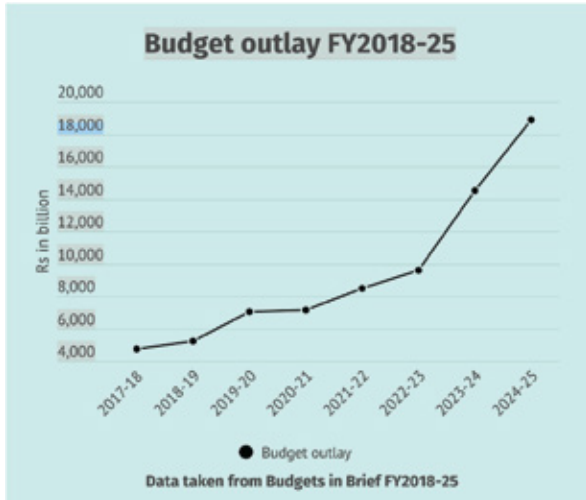


Figure 2: Current Expenditures

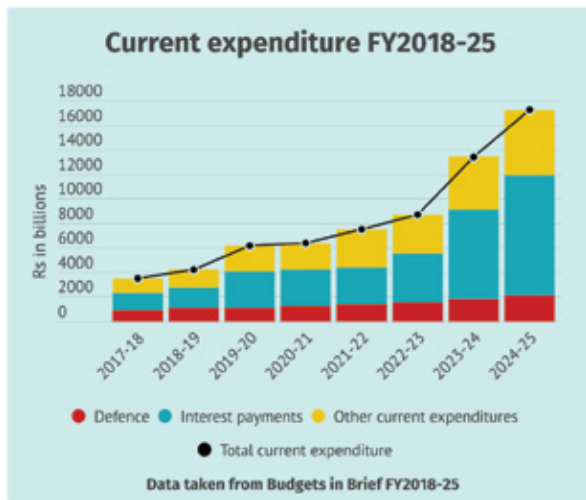


Figure 3: Net Federal Revenue

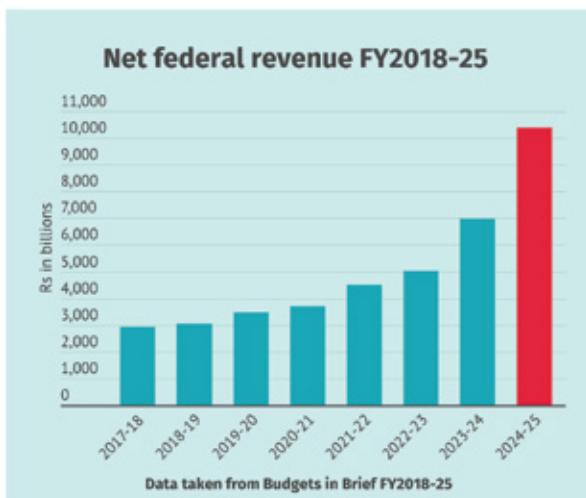


Figure 4: FBR Tax Collection

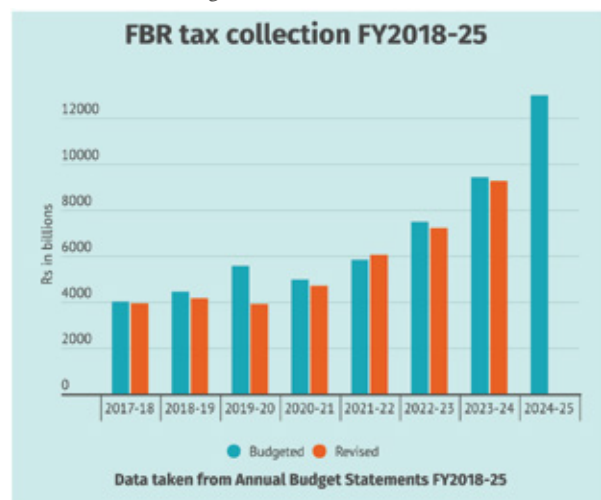
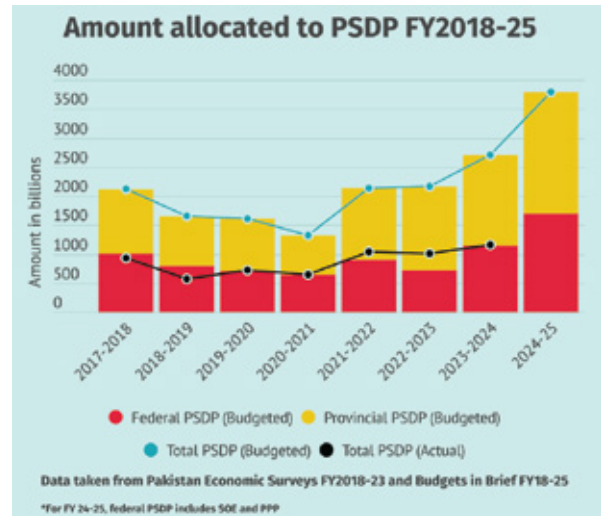


Figure 5: Public Sector Development Program (PSDP)



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# ELITE CAPTURE BY MERITOCRACY: The Meritocracy Paradox in Pakistan

Ayesha Rehman

Elite capture is when a small, privileged group exploits public resources and opportunities reserved for the broader population, perpetuating income inequality and leading to societal disruption. The criterion of 'being an elite' varies from society to society or even from person to person. Typically, elite capture is viewed from the perspective of the 'decision makers' making decisions for their benefit and negating the needs of the marginalized segments of society thus leading to the 'capture of state'. They can be political leaders, corporate executives, and even government officials.

For years there has been a growing nuisance around the globe to opt for merit-base selection as the only criteria for acquiring any high position in society. Scholars worldwide like Confucius, Plato, Aristotle, and John Stuart Mill advocate the same merit-based selection as the only solution to combat the system's inefficiencies. But does it fulfill the job or just create another elite class?

The term meritocracy was first coined by sociologist Aklan Fox in 1956 and later used by Michael Young in his book 'The Rise of Meritocracy'. Meritocratic elite capture comprises specific strata in which individuals are evaluated based on their skills or merit and dominate decision-making processes giving rise to disparities in society. They can be tech industry leaders, entrepreneurs, scientists, or military personnel. This article talks about the atrocities arising in society because of meritocratic elite capture and examples of meritocratic elite capture globally and specifically in Pakistan.

Educational attainment, specifically higher education, is widely recognized as the main scale of merit. The success rate of landing a good job of an individual increases tenfold if he can score high grades, has better communication skills, and holds a degree from a prestigious university. The top-notch institutes of Oxford, Cambridge, The Ivy League, Harvard Business School, and Gao Kao of nations like the US, UK, and China are heavily criticized not only because of their competitiveness but also because they are saturated by the ones belonging to the top 1% of the income distribution (Chetty et al., 2023). The major reason behind this is the easy accessibility to high schools and preparatory resources, which is easier for a student from an affluent background.

The educational sector's dilemma is more severe and grass-rooted in the case of Pakistan. The Annual Statistics of Education Report (ASER, 2023) highlighted the critical role played by parental income and wealth, gender, and rural vs urban location in getting quality access to education for children aged 5-16 years. The data showed a clear pattern of enrollment of 73% of children from the poorest quantile while 83% children were enrolled from the richest quantile. The assessment results of public versus private schools were also in favor of the private schools. The statistics from the Labour Force Survey 2020-21 and PSLM Survey, 2019-2020 show the lowest percentage share of females in total literacy rate i.e. 51.9%, Gross Enrollment Rate (GER), and Net Enrollment Rate (NER) led to the ranking of Pakistan as 145th out of 146 countries in the Global Gender Gap Index 2024, a decline from its 142nd position in 2023, highlighting growing challenges in achieving gender parity.

The Civil Services in Pakistan are also a gateway to the elite government positions having significant authoritative power. The data source of FPSC indicates that most students are from urban areas and prosperous backgrounds. A recent trend of increase in the applicants having professional degrees like engineering, MBBS, and others has been observed which can be attributed to the acquisition of a prestigious position, stable income, and power.

The political economy of Pakistan can be exemplified as a pyramid manifesting in public and private domain, with a minuscule elite monopolizing each domain thus limiting market competition and impeding the equitable distribution of wealth. The political landscape of Pakistan is marked by the concentration of political power in the hands of a few families like Bhutto and Sharif. Their political acumen, strong family ties, and advocates of people's rights have earned them the support of a large segment of the population despite their elite status. This leads to a dysfunctional democracy, securing only votes and maintaining power thus leading to the exclusion of ordinary citizens.

The implications of elite capture on an ordinary citizen are endless. The widening gap between the income level of rich and poor exacerbates the existing inequality creating a vicious cycle of poverty. The limited social mobility, skewed justice system and the lack of trust in institutional structures create social unrest specifically among youth leading to brain drain.

To address these issues, a comprehensive reformatory policy targeting relevant sectors of society needs to be implemented. Investments in public education, providing financial aids and scholarships can raise the quality of education promoting inclusivity. The implementation of progressive taxation can help in the redistribution of wealth which can be further utilized for the social welfare programs reducing inequalities. The recruitment process in public and private institutions should be strictly merit based should promote diversity. Strengthening institutional structures like the National Accountability Bureau (NAB) and taking active anti-corruption measures will also aid in the development of public trust.

The existence of a meritocratic elite is an integral part of society. However, efforts can be made to minimize the distortions caused by meritocratic elite capture. A reform policy aimed at ensuring transparency in governance, and accountability, and stimulating inclusivity by reducing the gender disparity gap is the time of need. A just and sustainable future relies on the quality of meritocracy, reflective of real talent rather than generational privilege. The nations will thrive based on such individual yet inclusive growth and contribute productively to society.

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# GOVERNANCE & ELITE CAPTURE





# ELITE CAPTURE AND GOVERNANCE IN PAKISTAN: Unravelling Historical Patterns

Fida Muhammad Khan

Colonization has always played a pivotal role in explaining the discrepancies in wealth, prosperity, underdevelopment, governance inefficiencies, and the existence of extractive institutions in former colonies (Acemoglu et al., 2001; Acemoglu & Robinson, 2015; Arnold, 1986). A significant body of literature in post-colonial studies and governance suggests that the contemporary extractive institutional structures and governance challenges in former colonies trace their origins to colonial legacies. "Elite capture" frequently results in inequalities and skewed resource distribution and is often linked with colonial history. While there is some justification to this perspective, it occasionally overlooks the dynamics of power capture or maintenance by elites prior to the departure of colonizers.

In this piece, I discuss how elites had already consolidated power before the establishment of Pakistan, spearheaded by the prominent figures within the Muslim community.

Pakistan, like many other nations, has a colonial history. When the British departed, there was limited progress in institutional structuring for the newly-founded nation. Consequently, Pakistan grapples with governance challenges, elite capture, and disparities in wealth and outcomes to this day. While the colonial past undeniably shaped the post-partition institutional framework in Pakistan, another influential element is the preferences of the political elites, including the "founding fathers." Theory suggests that institutions, whether inclusive or extractive, are molded by the desires of the political power-holders (Acemoglu et al., 2005; Acemoglu & Robinson, 2015). The persistence of colonial laws in Pakistan, with minimal institutional

reform, underscores the unfortunate reality that political elites are reluctant to relinquish power. Any reform threatens their political dominance and, by extension, their economic clout.

The local elites, who inherited power from the colonizers (the metropolitan elites), were primarily fixated on preserving their economic and political interests. The extractive institutions that benefited the colonizers were also conducive for the newly empowered leaders, offering no incentive to instigate change.

## **PARTY MEMBERSHIP: PROFILING SOME LEADERS**

A closer examination of the leadership of the Muslim League and the Pakistan Movement reveals a pattern. The trailblazers of the two-nation theory and the push for a separate homeland predominantly consisted of Nawabs, Chaudries, and influential nobles from the Muslim community. As decolonization seemed increasingly imminent, the movement gained traction. However, this elite leadership, comprised mainly of Nawabs and the landed class, was more vested in preserving their political influence and economic prowess. They were apprehensive about maintaining their dominion in a united India (Fremont & Ayesha, 1989; Sayeed, 1987; Talbot, 1986). Yet, they deftly used religion to rally public support.

Scrutinizing the profiles of the Pakistan Movement's leaders, a recurring theme emerges: most were influential landlords, boasting titles like Nawab, Chieftain, or Sardar. They hardly represented the average Indian

Muslim. Rather, they were emblematic of the subcontinent's elite, either bestowed with honors by the Mughals and subsequently favored by the British or explicitly recognized by the Raj for their allegiance. Notable figures like Nawab Muhsin ul Mulk, Nawab Viqar ul Mulk, Liaqat Ali Khan, and Chaudhry Rehmat Ali are prime examples. Even the founder, Jinnah, finds a place in this elite roster.

Educated in the West, many of these leaders were part of the British Civil Service. Muhsin-ul-Mulk, for instance, joined the Indian Civil Service and later served in the Nizam of Hyderabad's court. He also took on responsibilities at Aligarh (Azeem et al., 2017), an institution initially conceived for the Muslim elite. Sir Syed Ahmed Khan, the founder of Aligarh, was not an advocate for universal Muslim education, especially for women. He believed not everyone had a right to education (Pakistan's Political History|Elite Class Hegemony & Two Nations Theory, 2022). Sir Syed's condescension towards the lower classes and his views on caste and class are well-documented in the literature about the Pakistan movement. However, this narrative seldom finds its way into textbooks.

It is essential for the viceroy's council to have members of high social standing. Would our aristocracy like, that a man of low caste or insignificant origin, though he may be a B A or an M A, and have the requisite ability, be placed in a position of authority above them and have the power of making laws that affect their lives and property.

### Alavi, 2002

Comments of Sir Syed Ahmed Khan on who is eligible for viceroy's legislative council quoted in (Alavi, 2002)

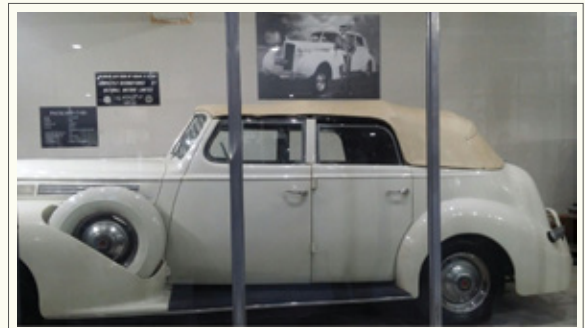
Being an elite and a successful bureaucrat of British colonial India, Sir Syed did not resonate with the masses. He shared the British perspective of the Indian populace: inefficient and inadequate. For instance, while discussing his changing views about the Aligarh school, he reportedly remarked on the perceived incompetency of Muslims in India (Wright, 1964). The Aligarh school, later under his guardianship, primarily catered to the Muslim elite's progeny.

Another distinguished leader of the Pakistan movement, Nawab Viqar ul Mulk, was at the helm when Nawab Salimullah of Bengal summoned a Muslim

conference. According to Alvi, the group of Nawabs led by Viqar ul Mulk successfully monopolized the pivotal roles in the party (Alavi, 2002). The Muslim elites consisted mainly of landed British loyalists, Ulemas affected by the Raj's changes, and those desiring influential positions in the British Indian government. The League predominantly represented this narrow subset of Muslim elites. The broader Muslim masses didn't factor into their political calculus until grassroots support became essential.

Liaqat Ali Khan, another formidable leader of the Muslim League, hailed from an affluent, influential background (Kazmi, 2003). Notably, Khan's family received patronage from the British East India Company, further bolstering their stature. Like many other League leaders associated with or educated at Aligarh College, Khan was an Aligarh alumnus. The British government continued its support even after Khan's father's demise, offering him a scholarship to study at Oxford (Lentz, 2014). This perhaps explains Khan's pro-Western inclinations during the Cold War. This narrative further solidifies Alavi's (2002) argument that the Muslim League's leadership primarily catered to a minority of Muslim elites instead of the broader Muslim population. Hence, it's plausible to argue that there wasn't a significant rift between Western interests and those of the Muslim elites.

Figure: Jinnahs Ride the Rolls Royce Roadster- a car custom made for Royalty



Concluding this section on the Muslim League's leadership profile, I focus on Muhammad Ali Jinnah. Born into affluence, Jinnah came from a prosperous merchant family (Desai, 2006). Though a Gujarati by ethnicity, he lacked proficiency in the language and was more fluent in English. During his association with the Congress, he resisted Gandhi's insistence on speeches in Gujarati for a campaign in Gujarat (Kazimi, 2018). Several studies have commented on Jinnah's fluency in English (Ghosh, 1999; I. H. Malik, 2006; Swamy, 1997).

Language choice indicates identification, reflecting one's social structure, upbringing, and political and personal beliefs. Given Jinnah's fluency and comfort with English and his elite origins, it's evident that he was part of the Muslim elite. This acknowledgment doesn't diminish Jinnah's leadership, but rather underscores that India's elite saw themselves as such, with English serving as one marker of that identity.

It's ironic that such a Westernized figure as Jinnah would lead a movement grounded in religion, especially when he appeared more Western than Indian. Nevertheless, he and his contemporaries hailed from the Muslim elite and were entrusted with leading the League. Even before joining the League, Jinnah, like some moderate Congress members such as Gopal Krishna (Singh, 2009), advocated for electoral reforms and increased Indian representation in government. Sadly, Pakistan's educational curricula tend to portray Congress as a "Hindu" party and the Muslim League as its "Muslim" counterpart. However, the League did not favor democracy because its leaders knew they couldn't secure seats or compete with the Congress due to the Muslim minority status. These elites, representing the Muslim League, opposed Congress leaders like Lala Lajpat Rai (Wolpert, 1984) who advocated complete independence.

Concerning Jinnah's economic status, he hailed from a financially stable family. He pursued his education in the UK and joined the Lincoln Inn. Jinnah was the only Muslim barrister in Bombay, politely declining a monthly offer of 1500 rupees by expressing his intent to earn this amount daily. His biographers claim that he eventually achieved this goal (Pirzada, 2007). Such an income level indicates a particular class and social standing. Although Jinnah lacked titles like "Nawab" or "Nawabzada," his wealth was undeniable. He donated substantial sums to educational institutions like Islamia College Peshawar, benefiting them to this day. This philanthropy was only feasible due to his extensive wealth, combined with his legal expertise, qualifying him to lead the Muslim League's campaign. In summary, an examination of the Muslim League's leadership underscores that the movement was primarily led by elites, aimed at safeguarding the interests of the Muslim elite. It was not a movement representing the entirety of India or the entire Indian Muslim community but rather a limited segment of elites who patronized the Muslim League.

## THE IDEOLOGY OF THE MUSLIM LEAGUE

The debate over whether Pakistan was a secular or ideologically Islamic country has fueled controversy. Progressives argue for a secular Pakistan, envisioning a harmonious coexistence of religious minorities alongside the Muslim majority. Conversely, conservative factions assert that Pakistan was founded as an Islamic state. Both sides present compelling arguments, but historical interpretation tends to be subjective, shaping the narrative.

One perspective cites Jinnah's speeches about the freedom to practice different religions as evidence of Pakistan's secular foundation. Advocates for this viewpoint maintain that Jinnah's motivation was to create a safe haven for religious minorities in a predominantly Hindu India. For instance, (Ahmar, 2012) dismisses the idea of a theocratic state and endorses a secular Pakistan. Stephen P. Cohen's criticism of the inclusion of Islamic principles in the constitution supports this argument.

Other prominent studies stress that the Pakistan Movement wasn't inherently religious. Scholars such as (Alavi, 2002; Bilgrami, 1985; Hasan, 1990; Hoodbhoy, 2007) adopt a more balanced and objective approach to understanding the leaders' ideological motivations. Rather than making sweeping claims, they acknowledge the ambiguity surrounding Pakistan's identity. Alavi (2002), for example, characterizes the movement as secular, driven by Muslim elites in the minority. Hoodbhoy (2007) notes the movement's diversity, comprising Sardars, Nawabs, Pirs, and religious clerics. Jinnah, to garner support, emphasized the movement as an Islamic one on some occasions and supported a secular state on others.

This ideological ambiguity can be attributed to Jinnah's pragmatism. He utilized religion when expedient and embraced a secular stance when necessary. However, one aspect where scholarship converges is the fact that the Muslim League was founded and led by Muslim elites, rather than representing the broader Indian population.

(Hasan, 1990) argues that it wasn't the two-nation theory that led to Pakistan's creation but a confluence of events that provided an opportunity for Muslim elites to establish a state. This state, along with its leaders, enjoyed support from the British Raj (N. S. Malik, 2012).

Delineating the precise ideological position of the Muslim League is challenging. Yet, its leadership was pragmatic, adapting to circumstances. For instance, the League did not support the Khilafat Movement, despite Gandhi's involvement. It also diverged from the Congress on the issue of land reforms. Scholars like (Hoodbhoy, 2007) and (Alavi, 2002) offer more accurate assessments. Hoodbhoy highlights the ambiguity in Jinnah's statements, while Alavi posits that the movement was secular, driven by Muslim elites safeguarding their interests and hegemony. Thus, the Pakistan Movement commenced when these elites saw an opportunity.

Religion was later employed as a tool by the elites to rally support. They marketed it as a struggle for an Islamic state, despite the Westernized leanings of the leadership. Notably, respected Muslim scholars like Hussain Ahmed Madani and Abdul Kalam Azad opposed Pakistan's creation.

In summary, the Muslim League, predominantly led by Muslim elites, remains shrouded in ideological ambiguity. The leadership pragmatically employed religion as a mobilization tool, while scholarship emphasizes the elite capture of the movement's leadership.

## CONCLUSION

This analysis underscores that "elite capture" has long been ingrained in the country's DNA, existing in the subcontinent's society well before Pakistan's establishment. It wasn't a post-independence tragedy but a pre-existing societal phenomenon. Elites across societies capture and retain power to protect their economic interests. This phenomenon is not unique to Pakistan; it's ubiquitous.

However, Pakistan tends to overlook this history, leading to misidentification of problems. Unemployment, poverty, low exports, lack of small-scale industries, deteriorating public education, and high external debt are not the root causes of underdevelopment but rather the effects of bad governance—a consequence of elite capture of politics and economics. This has deep historical roots in Pakistan.

Recognizing this reality is imperative to identify Pakistan's real challenges. Only then can the country embark on meaningful societal reforms.

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# THE MISLEADING STORY OF ELITE CAPTURE IN PAKISTAN

Asad ur Rehman

Modern societies are structured by organizational and value hierarchies. This hierarchical feature ends up creating social inequities economic insecurities and populist political imaginaries. People and communities who found themselves lurching on lower echelons of the hierarchy feel disgruntlement that feeds into political projects looking for a villain responsible for their demeaning status. The desperation feeds into anger that lends itself to popular myths or ready-made answers to a complex existing social reality. Such lazy thinking is tolerable in politics as it is contentious by default and every social group tries to push the allocation of resources in its favor. However, if the same sort of thinking starts becoming part of the wider academic and policy discourse it causes concern. I fear the same is the case with elite capture theory.

The theory form of thinking ideally performs two

functions a) description of a given phenomenon in such a manner that enhances its comprehension b) critically re-formulating the approach these phenomena could be studied. Loosely, it could be argued that any theoretical exercise helps us to connect the analysis of the social reality (ontology) with the ideational framing of that analysis (epistemology). The vacuousness of elite capture is unsurprisingly clear in dealing with both ends. Neither does it help in explaining what causes economic decline, political ineptitude or/and policy ad-hocism in Pakistan, nor does it provide a coherent and concrete critical frame of reference. The next question popping out of the discussion is why it attained such ubiquitous currency in both popular and academic social worlds.

Scholarship in social sciences in Pakistan remains very basic and the quality of training in social science is

even lower by regional comparisons.<sup>13</sup> The predominance of Anglo-Saxon methods of inquiry and economic thinking is not a new thing but its preponderance increased manifold after the Washington Consensus became the sole ideology of economic policymaking. The trickle-down effects of this mode of thinking started to make pathways into diverse territories of the globe resulting in the re-ordering of institutional terrains and re-fashioning of the political economy scholarship. The focus of the scholarship started to shift away from inequality, distribution and fairness to efficiency and innovation as the guiding principle. The two leading signifiers of this ideational framing were growth and governance spelled out first in the world Bank Report, *Governance and Development*, published in 1992.<sup>14</sup> The governance instead of government emerged as the central plank of the regulatory state. Bank explained the governance in following words;

*“Governance is defined as the manner in which power is exercised in the management of a country’s economic and social resources for development”.*

Management is the keyword that helps in interpreting the semantic space occupied by the noun, governance. The normative intention of the statement is expressed in the statement by underlining that to attain development it is necessary to achieve the most efficient forms of management. Any other moral concerns are at best subservient to the goal of attaining better management. However, the report did not stop here and further elaborated the idea of governance by stating:

*“Good governance is synonymous with sound development management”.*

The governance in this discursive framing pinned with another adjective to further narrow down the range of policy options<sup>15</sup>. This global managerial turn in thinking about development was a result of the emergence and consolidation of deregulatory forms of capitalism.

After the 2008 global crisis and later the squeezing of developmental aid the sole focus on managerial form of thinking stood questioned. The global anti-capitalist movements raised concerns about the manner global economy was running for the betterment of the few. This global failure was more pronounced in the Global South where billions in the name of developmental intervention created no visible difference. The scholarship on development by that time was already tackling with causes of design failures in developmental intervention.

Elite capture, these studies argued, is the most efficient cause of the failure of such programs.<sup>16</sup> Later on, the very concept of elite capture was seized by World Bank allied institutions to explain the causes of bad governance at national levels. This insensitivity to scale further reduced the analytical prowess of the concept but the gap was filled by rhetorical hype.

UNDP published a report on the elite capture in Pakistan<sup>17</sup> and it generated a lot of heated discussion in Pakistan. However, the analytical framework of the report remained largely rickety. The military, which is mostly recruited from the poor and middle classes, was attached to corporate and landed classes. Classes were mixed with institutions and the umbrella term ‘elite capture’ was used to connect all these varying actors to support the narrative. The report mostly analyzed the elite capture from a tax evasion angle and calculated how much money Pakistan could save if these elites were taxed. This narrative sits very well with the good governance objective and with the policy prescription of raising tax revenues.<sup>18</sup>

Elite capture theory also fails to explain the inability of all regimes, since General Musharraf, to tax the retail sector in Pakistan. After the deregulation, the share of the services sector has increased manifold and the biggest chunk of it came from the retail sector. Every government has tried to document and then tax the sector but to no avail.<sup>19</sup> The trading merchants are not part of the ruling classes of Pakistan, yet they are the source of the biggest leakage of public money.

Pakistan is a very large and socially complex country that is struggling with challenges of transparency, state capacity, poverty, bad planning, extractive bureaucracy and a pretorian political system. Populist slogans and catchy buzz phrases cannot substitute socially entrenched and empirically valid policy and development solutions. There is a need to go beyond governance-centric managerial thinking nor blaming amorphous elites is a solution. Rather such framing of the policy argument fans and feeds into populist politics that can further complicate the reform efforts in Pakistan.

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<sup>13</sup>For detailed discussion on the topic see SA Zaidi, "Introduction," in *Dismal State of Social Sciences in Pakistan*, ed. Syed Akbar Zaidi (Pakistan Academy for Rural Development Peshawar, 2002), 1–25; Aasim Sajjad Akhtar, "Critical Forum: Populism, Hybrid Democracy, and Youth Cultures," *Critical Pakistan Studies*, 2024, 1–31.

<sup>14</sup>World Bank, "Governance and Development" (World Bank, 1992), <https://elibrary.worldbank.org/doi/abs/10.1596/0-8213-2094-7>.

<sup>15</sup>Voltaire once famously remarked Adjectives are enemies of nouns.

<sup>16</sup><https://pide.org.pk/research/understanding-elite-capture/>

<sup>17</sup><https://www.aljazeera.com/news/2021/4/13/elite-privilege-consumes-17-4bn-of-pakistans-economy-undp>

<sup>18</sup>Rosita Armitage also discussed inequality in Pakistan but she also documented the insecurity of elites for details see Rosita Armitage, *Big Capital in an Unequal World: The Micropolitics of Wealth in Pakistan*, vol. 29 (Berghahn Books, 2020).

<sup>19</sup>Even in 2024–25 budget indirect measures were adapted for the sector that shows the failure on the part of government.

# 2. ELITE BARGAINING IN PAKISTAN DEVELOPMENT'S SAGA

Naveed Akhtar and Muhammad Junaid

“Pakistan at a critical juncture of history” is a sentence usually echoed in Pakistan's political, military, judicial, media, and economic arenas. Pakistan's struggle for freedom of independence had been based upon freedom for all (minorities included), a separate homeland for Muslims of the subcontinent. However, Pakistan's freedom was questioned after independence as the country faced the dubious and controversial demise of its founder Quaid I Azam Muhammad Ali Jinnah, and the First Prime Minister of Pakistan Liaquat Ali Khan. The two major upsets in the earliest phase of the newly independent state raised grave concerns and a lack of popular political leadership escalated difficulties and crisis. Solely representing the people of Pakistan, the All-Pakistan Muslim League (formerly known as All India Muslim League) had begun to crumble and new factions from APML ascended under new political leadership. Political hunger and lack of political institutions were paving the way for the military to think of intervening in politics, Governor General Iskandar Mirza himself convened General Ayyub Khan to act and stepped into politics while the Governor General was unwilling to hold elections on stipulated time as prescribed in 1956 constitution rather played delay tactics. In the book titled “Political Game Theory” authored by Nolan M. McCarthy and Adam Meirowitz, they define Political Science as the study of who gets what, when, and how<sup>20</sup>. Then bargaining theory lies at its

foundation. The term ‘elites’ is the oldest concept but was developed after the Renaissance period when social ideas about progress were changed and who rules is still a constant and universal political problem throughout the world. Early philosophers like Aristotle, Plato, and Niccolo Machiavelli shed light on the subject while Plato proclaimed the idea of a philosopher king, who is an intellectual elite that comes out from a long and tiring process.

Elite Bargaining in Pakistan implies elites in Pakistan get what, when, and how in the aftermaths of deals. Elite capture refers to the situation in which powerful individuals or social groups manipulate political, economic, and social systems to serve their interests, often at the expense of broader social development. Elite capture in Pakistan is deeply rooted in the pre- and post-independence history of Pakistan. During the Colonial period, religious elites' traditional power was ceased. With the emergence of charismatic leaders like Muhammad Ali Jinnah, the rise of the Muslim League and the creation of Pakistan re-established religious elites' power and influence.

<sup>20</sup>[https://www.princeton.edu/~nmccarty/Political\\_Game\\_Theory%20.pdf](https://www.princeton.edu/~nmccarty/Political_Game_Theory%20.pdf)



Through the objective resolution of 1949 religious elites' power was manifested through influence rather than direct authority. The political influence of religious elites and confrontations between rival sects in 1953 in Punjab resulted in the imposition of maiden martial law in Punjab. The Military elites were cautioned by the unprecedented rise of religious elites in the early phase, hence by dominating military stacks within the State, the Army was able to denounce civil power and leadership and imposed a coup on 27th October 1958<sup>21</sup>. With that army assuming direct authority made them realize that it was impossible to maintain a medieval-based religious state, rather laying down a base of a colonial-based modern army and secularizing a state. The secularization process was being carried out under the Central Institute of Islamic Research. Elective Bodies Disqualification Order of 1959 set a tribunal that imprisoned thousands of political actors and paralyzed political life in Pakistan, through such direct use of authority and institutional torture, Ayyub Khan enabled to dominate military elites in all spheres of Pakistan's society. The Basic Democracy Ordinance of 1960 introduced a new history, the primary purpose of which was to become a future president with the help of 80,000 democrats who were selected from 800 to 1000 constituencies. The intricacy of paradigm to dominate in political, Judiciary, and financial matters was justified under the 1962 constitution that bestowed the President with unchallenged and unparalleled power.

General Yahya Khan came next to Ayub Khan while his strict martial law regulations were opposed and students in Dacca demonstrated heavy resistance however through the martial law tool 'force' Yahya decided to sabotage youths' voices. The delay tactics to hold elections and then the inability to conduct free and fair elections in 1970 while failing to respect public mandate rather than making giant bargaining with West Pakistan-based political elites like Zulfikar Ali Bhutto, resulted in a massive upset in the shape of the fall of Bengal (West Pakistan). In the earlier phase, the export of raw and processed jute accounts for 70% of Pakistan's foreign exchange earnings, this foreign exchange was used for the industrialization of West Pakistan, and Bengalis were deprived of industries and infrastructure. Feroz Ahmed in his research work titled "The Struggle in Bangladesh" narrates that the overgrown military rule in Pakistan until the 1970s consumed as much as 60% of the country's revenue budget. Therefore, under the circumstances, the exploitations and extraction of resources from East Pakistan benefited military elites the most<sup>22</sup>.

Political elites in Pakistan have been major stakeholders in the country's business. Their large-scale business sectors include agriculture, real estate, and export

markets. Either political elites joined nexus with land-owning elites or industrial elites, or they were part of these businesses. The devolution of power from top to bottom remains questionable, while the rich in Pakistan are getting richer and the poor are getting poorer. Any major change of command in government doesn't affect elites' position in politics rather powerful ministries or portfolios are granted to the powerful influential. Since Dr Mahbubul Haq identified the 22 richest families in Pakistan, according to his calculations, controlled 66 per cent of the industries and owned 87 per cent share in the country's banking and insurance industry, these influential families are still a part of Pakistan's main political landscape<sup>23</sup>.

In 2007 General Pervez Musharraf enforced the National Reconciliation Ordinance which granted amnesty to politicians, political workers, and bureaucrats, who were accused of corruption, money laundering, murder, and terrorism from 1988 to 1999. According to the official list released by the Ministry of Law and Justice, Pakistan in Nov 2009, the ordinance benefited 8,044 allegedly tainted people including 34 politicians and 3 ambassadors. The ordinance was denounced by the Supreme Court in 2009. From 2008 to 2013 PPP led a coalition that governed the country, during which already politized NAB (The National Accountability Bureau) was ordered to close the cases against 60 leaders from coalitions, mostly from PPP. On November 20, 2009, The National Accountability Bureau report unveiled a list of 248 politicians and bureaucrats who have plundered hundreds of billions of rupees but were cleared by NAB under NRO.

Pakistan has never been a country experiencing long-term economic and political stability while short-term gains were achieved mostly under dictators to legitimize their rule. The failure of the economy and politics ultimately caused irreparable damage to Pakistan. Whether it was Pakistan's military establishment's choice to join hands in the Afghan Jihad against the Soviets in the late 1970s had negative far-reaching consequences for Pakistan or Pakistan with the US against the global war on terror for the two decades in Afghanistan, benefited military rule or elites while official press release by Pakistani military's media wing (ISPR) in January 2021 unveiled that the economic losses this country caused by the war on terror amounted to \$126 billion<sup>24</sup>.

<sup>21</sup>(Elites and Political Development in Pakistan by Asaf Hassan) <https://onlinelibrary.wiley.com/doi/pdf/10.1111/j.1746-1049.1976.tb00980.x>

<sup>22</sup>[https://cdn.theconversation.com/static\\_files/files/1513/The\\_struggle\\_in\\_Bangladesh.pdf?1615485722](https://cdn.theconversation.com/static_files/files/1513/The_struggle_in_Bangladesh.pdf?1615485722)

<sup>23</sup><https://www.dawn.com/news/279413/people-who-own-greatest-amount-of-wealth>

<sup>24</sup><https://ispr.gov.pk/press-release-archive?cat=army&p=75>

Pakistan is among agricultural country where wheat and sugar used to be prominent parts of the export market however with mismanagement of resources, natural calamities, and poor governance instead of exporting the two said commodities Pakistan has been importing both in billions of rupees further deteriorating Pakistan's net international foreign reserves, According to official statistics, Pakistan imported wheat amounted to \$ 1 billion during July-March of FY24 compared to \$997 million in the same period of last fiscal year. In terms of quality, wheat imports rose by 36 per cent during the period under review<sup>25</sup>. Wheat and Sugar scandals are usual practices in Pakistan that are worsening the economy of Pakistan while benefiting only a few hands. On April 4, 2020, the NAB probe revealed politicians and their right arms in sugar scandals and scamming like Jahangir Tareen Khan, Khusro Bakhtiar, Monis Elahi, and his relatives were found in major beneficiaries of the sugar scandal.

Pakistan has been blessed with uncountable natural potentials from its crucial geo-strategic and geo-economic position to vast rich fertile land and water resources, the unparalleled beauty of Pakistan has the potential to become the tourism capital of the world and home to ancient sites and civilization.

Pakistan's road to economic prosperity and a regional giant is linked to internal stability both political and economic stability. Through transparency, the rule of law, and harmony between institutions and common national goals, nothing could stop Pakistan from becoming a powerhouse in the region and at the global level.

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<sup>25</sup><https://customstoday.media/pakistan-spends-1b-on-wheat-imports-in-9m-fy24/#:~:text=ISLAMABAD%3A%20Pakistan%20has%20imported%20wheat,during%20the%20ongoing%20fiscal%20year.>

# FROM COLONIZERS TO CORPORATOCRATS: THE EVOLUTION OF ELITE CAPTURE

Waqar Ahmad

It turns out that elite capture, when the key players of politics and the economy decide to grab all the biscuits and lock the cookie jar, is not a new idea. Technocratic capture has remained pervasive through the ages, from the ancient world till today's democracies, perpetuating elite capture and successfully sowing seeds of corrosion to democratic institutions, concentrating powers and privileges among a select governing elite. Nevertheless, the idea of elite capture has not rejected dynamism; it has consistently been a dynamic concept. In this work, I will try to outline how elitism has progressed from the colonial frame to the contemporary corporatocracy as a means of retaining power and why this has led to further oppression and suppression of democracy. It is only when we trace elite capture within the historical context that we can comprehend how the phenomenon developed later and became more variegated in form and impacted the political and economic dispensation, and the first step towards the construction of a more just and equitable society.

## THE COLONIAL ROOTS OF ELITE CAPTURE:

This form of elite capture can be most easily recognized from the colonialist period when European colonies dominated over the colonies and the people. One of the unprecedented aspects of colonialism is that it imposed a structure of power that can be seen today as the prominent form of power – this structure is exploitative and oppressive, and hence it can be concluded that colonialism has had a significant impact on today's power relations. A colonizer received products and cheap manpower from a colonized territory, while citizens of colonized territories benefited from a small amount of

surplus capital and products of their own region. They were used and exploited mainly for their natural resources and labour through a racially and patriarchal lens that portrayed the colonial masters as superior to the colonies. In a manner, which Frantz Fanon elaborated in his book of 1961 'The Wretched of the Earth,' 'The colonial world divides the world into two welfare departments – the native country and the colonial country. . . . Even the colonialist is not satisfied to be a mere colonial. He or she has to Christianize the savages' (Fanon, 1961: 10). This missionary spirit camouflaged the exploitation of colonies and the concentration of inimical imperialism in a few.

Indeed, long lists of colonial exploitation instances can go on and on. The African continent was exploited by European countries such as Britain, France, and Belgium to take resources like gold, diamond, and oil, among others, whereas at the same time forced labor and displacement of African people were promoted. Europeans in America continued to subjugate the native societies and dominated them through forced labour and committed genocide. These historical realities, however, continued to shape the power relations of the contemporary world and have facilitated elite capture and further marginalization of the populace. Exploiting colonial history to analyze the process of how the apparatus of state capture has evolved to an elite level helps to come up with better awareness of power and domination amongst the weak groups.

## THE TRANSITION TO NEOLIBERALISM AND CORPORATOCRACY:

The change from the colonial era where elites benefited at the expense of the people to the current period where multinational corporations dominate the world economy owes to the growth of neoliberalism in the second half of the twentieth century. Neoliberalism here according to David Harvey describes the key economic concepts that postulate that human beings can be made to prosper through unleashing individual and venture machining capacities within an architectural context of property rights, free market, and trade liberalization (Harvey, 2005: 16). This ideology appeared in the 70s and 80s when governments started liberalizing industries, selling state-owned businesses, and cutting social spending programs.

New liberal economic reforms paved the way for the corporatocrats to seize economic and political powers and start restructuring the economic and political systems in their favour. The first one, known as deregulation, made it possible for the companies to thrive regardless of the consequences, while the second one, known as privatization, entailed the growth of the companies after they took over the public resources and services. Such a move further cut down the provision of social welfare programs and thus entrenched more power and wealth in a few individuals. These policies were used by corporatocrats in order to further their own agendas and increase their power over other special interest groups through the shrewd manipulation of positions within political organizations and in the media sphere.

The result has been the entrenchment of the corporatocratic polity involving the assimilation of economic and political power, which has led to elite capture. According to Harvey, even though neoliberalism has been the dominant mode of organizing capitalist economies, there is considerable merit in Harvey's argument that neoliberalism is a potent instrument in the reproduction of capitalist class power (Harvey, 2005: 16).

## CONTEMPORARY ELITE CAPTURE:

Today, elite capture is performed in different and subtle ways that allow corporatocrats to stay in power and retain their riches. One of the strategies is what is referred to as regulatory capture, whereby corporations have the ability to control and shape the policies made by such regulatory bodies in their own vine. For example, the bankers' lobby interfered with the government decisions, and risky legislation was passed to open up the markets and caused the 2008 meltdown.

Another significant factor is the media, which is controlled and owned by corporatocrats, and hence, it is used to manipulate voters and minimize the effective voices of the citizens. This is well illustrated by the ownership of most newspapers and media houses by

large corporations or multinational media groups, rather than individuals or smaller companies primarily interested in the welfare of society.

Lobbying and finance for campaigns are also skills that are useful in elite capture. Large institutions and the rich, in general, employ their financial amass to control elections and policies that are favorable to them and not in the best interest of the people. This is seen in such large contributors as Big Pharma, Big Oil, and the NRA that have a dominant say in any political debate and policy considerations.

In various sectors of the economy, one can observe the effects of elite capture. As for the financial lessons, the bailout of 2008 showed the performance where corporations nationalized their risks while they enjoyed having the profits. In the context of healthcare, pharmaceutical firms and insurance companies have a massive influence on policy formulation, and their decisions are often swayed by profit motives rather than the needs of the community. In technology, giants like Google, Amazon, and Facebook have centralized immense power and control while amassing billions of dollars to control consumers' data.

## CONSEQUENCES AND RESISTANCE:

It is thus clear that this phenomenon has severe repercussions on the very foundations of society's governance. In social terms, it merely consolidates the status of injustice, exclusion, and domination. In economic relationships, it consolidates capital and authority, resulting in economic distortion such as financial collapse, scarcity, and oppression. Economically, it is exploitative, providing no benefits to consumers and ultimately harming the economy; socially, it isolates and corrupts, perpetuating a duopoly of privilege, eroding fairness, and freedoms. It must be noted in this regard what Naomi Klein describes in her book "The Shock Doctrine": neoliberalism has resulted in 'a massive transfer of wealth and power from the public to the private domain' (Klein, 2007, p. 16).

Nevertheless, it is also important to understand the processes that can disrupt elite capture and become a basis for solutions. Occupy Wall Street, Black Lives Matter, and Global Climate Strike are some examples of mobilized groups and causes that force people to talk about injustice, racism, and climate change. Modern liberal leaders and governments are putting forward policies such as taxes on the rich, workers' cooperation, and state-owned enterprises to deal with economic injustice and bring about a more just economy.

Insofar, as elite capture limits the scope of policy measures, it is necessary to create a large-scale social movement that would not only challenge the rhetoric and practice of the elites. This entails embracing the fundamental features of our democracy, embracing activism, and being ready to challenge and fight the system. Understanding the ramifications of elite

capture and trying to find ways to solve this societal ill shall help one start constructing a more ethically well-off society.

Therefore, the modes of elite capture of power circles that were fashioned during colonial rule and preserved by corporatocracy up to this date are exploitative, undemocratic, and have served to enrich a few at the expense of the many. They show how elite capture developed from the colonial prerogatives of loot and pillage in native countries to oppression through internationally backed reckless neoliberal policies leading to corporatocratic domination in new milieus. So, with this, they have not been mere spectators to the outcome. The narrative of this cookbook is not one of docile acceptance but of struggle and complicity. Some of the arguments presented here offer conclusions that need to be addressed, and with their help, we can start to understand how to fight against elite capture and thus protect and improve society. It is up to us to critically engage with the issues, become active citizens, and work towards change to eliminate exploitative elite capture and build a world that is characterised by the equitable distribution of power and resources.

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# SOCIOLOGY OF ELITE CAPTURE





# ELITES AND THE MODUS OPERANDI OF CONSTRUCTING FEAR

Fahd Zulfiqar

**Case 1:** One video on Instagram is trending these days. The video shows the impacts of genocide against the Hazara community of Quetta, Balochistan. The video starts with a voiceover detailing that the social media influencer went outside of the Hazara-dominated region in Quetta to the other part to have dinner. Among his common friends was also a young man from the Hazara community. Seeing his quietness and reservedness, the influencer asked him if everything was all right. He responded that it was only because of him (the influencer) that he was out of his communal area because he is easily recognizable about his ethnic identity because of his facial features. The video briefly describes the history of the Hazara ethnic community, their geographical positioning in Quetta and the graveyard where many male martyrs are buried. The video also explains that genocidal violence is so rampant that the graveyard is the largest public place in the area dominated by the Hazara community. The influencer also narrates that while passing through the area, one could see a grieving member of the family speaking to the grave or cutting a birthday cake. The video ends on a

reflexive note by the influencer that living there is synonymous with living in an open jail.

**Case 2:** A VIP route at the D Chowk in Islamabad has confined cars to wait till the route is clear. 15 minutes into this restricted mobility in the scorching heat, people who had been waiting started showing signs of discomfort and restlessness, partly due to getting late to reach the office and partly due to the authoritative tone and misdemeanour of the police. One such agitated driver got out of his car and started yelling at the police. The police yelled back and threatened to put him behind bars. To prevent the altercation from continuing, a driver behind his car got out and tried to resolve the matter. After a few more minutes of waiting, once the VIP charade accompanied by traffic police, ICT police, and multiple protocol vehicles passed, we were allowed to move. I was in the Uber and the driver was equally annoyed but refrained from any friction with the police by commenting, '*In se kon pangā le, inka kuch nahin pata*' ('Who can fight with them, one never knows what they can charge against you'). While passing through the

police check post, I showed my official card to the same threatening police officer, who by the movement of his finger allowed the vehicle to move, while the driver eulogised ‘Thank you, Sir. Thank you, Sir.’

**Case 3:** While interviewing female safety and security, when one female respondent was asked what fears her the most in her life, she instantly replied, ‘The fear of being raped. I don’t fear being killed. The only fear is of being raped.’ She continued by detailing that the fear is not self-made. She added that this fear is visible, palpable, experienced and internalised, at home, in the office, on the roads, in shops, behind closed doors and in open spaces. She concluded by affirming that she hadn’t learnt to overcome this fear and would take her a lifetime or even more, to do so.

The three cases described above illustrate fear; the fear of being identified as an ethnic minority and hence killed, the fear of being caught under a false charge by the state institution, and the fear of being sexually violated irrespective of the tightness, closedness or openness of the social space. The fear, in all three cases above, has produced a subject. A fearing young man in the first case, a fearing common person on the road waiting to be directed by a policeman in the second case, and a fearing woman who fears being abused by a man, in the third and final case. In all three cases, the fear is situated in the reality of events that have been either witnessed by the people themselves or may have been experienced or passed down to them by their families or passed on to them by their contemporaries or friends. The fear in all three cases, is not self-constructed; they are either speaking their realities or the realities of those who were close to them and have suffered. But this is one side of the story; that who is at the receiving end of this fear- the subject that the fear produces. The other side is that who produces this fear? Why is this fear produced?

R. Skoll in his seminal research on terror, torture and death in a post-capitalist world, theorizes fear through a sociological lens. While specifying the modus operandi and illustrating tactical tools for producing and reproducing fear, the author highlights that the ruling elites across geographical histories have used fear to control the masses. The fear of being physically violated (killed, burnt, lacerated, etc.) steeped into the fear of confiscation, extraction, and expropriation of capital (land, natural resources, etc.). The physical manifestations of fear are compounded by the brutal narratives of violation disseminated by the elites if the masses refuse to comply with their rulers. Hence, the fear of the possibilities of what the ruling elites can do is internalized by the masses. In these situations, undeniable and unquestionable compliance with the elites is organic.

When fear is manifested physically, the institutions of social control are vital. These institutions include the government, police, and military. The connective tissue combining the three institutions and hence playing out its critical role in the social reproduction of fear is the state.

The state by using its apparatuses reproduces fear primarily through brute force, police force, militancy and military. The cost of not complying with these politico-militarized forces can be prosecution, detention, detainment, imprisonment, or death. The fear hence reproduced is re-lived by the masses whenever an interaction between them and the representatives of any of these political and militarized elites occurs, no matter how benign that interaction is. The hierarchical order manufactured by the powerful ruling elites, through the years of creating fear, is, palpable in the lived-in experiences of the masses.

The narratives of fear are extensively researched in social sciences research. The fear of sexual and physical violence in the female-headed households in Indian-Administered Kashmir (extensively researched in ethnographic research by Angana P. Chatterji), the militarized Chittagong Hill Tract (of what happens when men from marginalized ethnic groups are forcefully killed in extrajudicial and encounter killings narrated by the female respondents in Amena Mohsin’s heart-wrenching research), the gendered violence exercised by the military forces during the War of Liberation in East-West Pakistan dismantling (primary data collected by Yasmin Saikia from women in Bangladesh), the recording and widespread dissemination of brutal killings of Muslims from the Rohingya community in Burma, and the most recent trending videos of Israeli military goons violating the religious, gendered and private spaces of people of Gaza. All these examples depict both the producers of and the reproduced subjects from fear. All examples confirm ruling elites in each case and peripheral communities at the receiving end of violation, physical occupation, and physical and non-physical colonization. The ruling elites described in the preceding text, are from politics, military, and militancy (or groups and coalitions constructed through the alliances of these all) and use every possible medium (on-site, virtual, closed spaces, open areas, etc.) to record and document fearful events and disseminate to reproduce fear.

Coming back, the three cases described in the beginning, show varying conceptualizations of elites: a religious majoritarian group exercising violence against the ethnically marginalized people of the Shia sect (first case), a representative of the state institution (police force) flexing his authoritative muscle to the commoners (second case), and violating men in the closed/open spaces who can charge at women and violate their bodies and sexualities. In each of the three cases, the fear is in the realities of Pakistan operable on three levels: macro: fear due to religious majoritarianism, meso: fear internalised due to institutionalised state body, and micro: fear communally internalised by one gender. The fear is hence socially constructed, a reflection of where our society stands and what it stands for in contemporary Pakistan. Unfortunately!

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# SIFARISH CULTURE: A FORM OF ELITE CAPTURE

Mustafa Tariq Wynne

The term “Elite Capture” is often voiced in Pakistan, from news channel studios, and newspaper articles to people discussing it on social media platforms such as X, formerly known as Twitter, as to how a tiny minority of the people, the rich and powerful have held the state resources occupied for their benefit, while the rest of the populous suffers at the hands of inequalities and this is said not just in terms of minting money but also holding on to power, prestige, and influence that benefits not only them but also their peers, which helps them maintain their sphere of influence. Therefore, nothing quite encapsulates the term Elite Capture quite like social capital does.

In the chapter "Social Capital" from "The Forms of Capital" by Pierre Bourdieu, the concept of social capital is meticulously explored and defined as the aggregate of actual or potential resources linked to the possession of a durable network of institutionalized relationships of mutual acquaintance and recognition. Bourdieu elucidates that social capital is essentially about the value derived from social networks and the inclinations that arise within these networks to provide mutual support and recognition.

Bourdieu discusses how social capital can be strategically leveraged to gain material and symbolic profits.

For instance, being part of a prestigious social network can provide access to exclusive resources and opportunities that are otherwise inaccessible. However, the accumulation and maintenance of social capital require significant investment in time and effort to build and nurture these social connections, which the landed elite has done so during the British colonial era.

Bourdieu also highlights the role of social capital in reproducing social inequalities. Those who already possess substantial social capital are better positioned to perpetuate their advantages and secure benefits for their network members. This dynamic can lead to a cycle where the elite class continues to reinforce and expand their social capital, often at the expense of those with lesser social resources.

This has historically been the case in Pakistan, Hassan Javid's thesis, "Class, Power, and Patronage: The Landed Elite and Politics in Punjab" highlights how the political landscape of Punjab, demonstrates the enduring legacy of British colonial rule in the region's power structures. The landed elite have adeptly used social capital, economic resources, and crony appointments to maintain their dominance, creating a self-sustaining system of elite capture, for example: Appointing their family members as President of the local municipality

or to the Public Works Department, such appointments ensure the political elite's control over local governance and administrative functions, reinforcing their power structures.

The landed elite in Punjab have effectively used social capital to maintain their dominance and control over the political and social systems. Social capital, as defined by Pierre Bourdieu, involves the resources and benefits one can access through their network of relationships.

For example: As Hassan Javid highlights in his research during Ayub Khan's rule, several thousand acres of land were conferred to high-ranking civil servants, military personnel, and other influential groups to cultivate their support. For example, Ayub Khan provided over 200,000 acres of land to Punjabi landlords, bureaucrats, and their family members who had supported him in elections.

Having laid down the theoretical framework and the historical perspective as to how the elite use their social capital to maintain the status quo, now let's talk about the present, as it is no different from the past.

The elite that has ruled the country since its inception has made Pakistan a "Welfare State" but only for the rich as rightly pointed out by the historian and political worker Ammar Ali Jan. They have formed a system where the already privileged benefit from it, whereas the rest of the ninety-nine per cent are left with crumbs to eat and survive.

This is true because those with social connections have access to quality education, healthcare, better job opportunities, and career progress, as compared to the rest of the masses. For example: someone who studies at an elite institution such as Aitchison or has a membership of a Gymkhana club has a better chance at all the mentioned facilities than someone who has gotten their education from a government educational institution.

There's a connection to be drawn here, because how often do we see someone who received their education from a government institution or a low-income private school make their way to the top, as opposed to someone who got their education from an elite educational institution? The answer to that is in the latter part. We have seen many members of the cabinet coming from a handful of elite schools, forming or being part of governments, whether it's a dictatorship, a democratic setup, or even a hybrid one. This reinforces the theoretical framework mentioned earlier.

This elite capture in Pakistan has promoted a system of Nepotism. From applying for an internship, a house job, joining a law firm, or securing a job at a government or a private institution, it is preferred to have a "Sifarish" to secure a position. Those with social capital have it easy, as even if they don't have their immediate family members to help them secure a position, they have their uncles and aunties to look out for them. Whereas the masses are at a disadvantage because they hail from an underprivileged background. This phenomenon is clearly outlined in the British Council's "Next Generation Report 2023," which highlights how family connections and financial status play crucial roles in determining career opportunities for young Pakistanis. The job market remains heavily skewed in favour of those with the right networks and family support, perpetuating a cycle of inequality.

Nepotism in Pakistan's job market has deeply affected the youth, leading to widespread frustration. With limited job opportunities, the prevalence of nepotism and favoritism further exacerbates the issue, creating an environment where merit is often overlooked. Elite families and influential individuals leverage their networks to secure positions for their relatives, perpetuating a cycle of privilege and discrimination. This entrenched system of elite capture means that many qualified young people face systemic barriers, unable to compete due to the significant advantages held by those with connections. Consequently, this perpetuates inequality and limits social mobility, stifling the potential for broader economic and societal progress.

In the first seven months of 2023, around 450,110 Pakistanis left the country in search of better job opportunities. This exodus included 26,405 highly skilled workers, 164,155 skilled workers, and 198,000 unskilled labourers. In 2022, the number of emigrants exceeded 832,000, marking the highest rate of emigration since 2016. These figures, reported by Express Tribune, highlight the severe brain drain Pakistan is experiencing as its talented youth seek dignified lives abroad. This trend underscores the deep disappointment among the youth, who are disillusioned by the pervasive elite capture and nepotism that dominate the country's job market. The ruling elite's inability to look beyond their kith and kin perpetuates inequality and stifles the potential of many deserving young Pakistanis.

Keeping in mind the past and the present, hoping that the government performs on the economic front might be a bit of a stretch, same is the case on the diplomatic front but the least any government in power can do is formulate a system of that favors merit over nepotism

and crony appointments. This is the bare minimum they can give to their future generations, a system that will not bend to any pressure when advertising for employment opportunities.

Generation after generation has been let down, it is about time that instead of rhetorical slogans of youth empowerment, our ruling elite finally sits down with a serious focus to give some hope to the youth.

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# PIDE

## Conversation

تمکنت منطور

## A Conversation with

*Tamkeenat Manzoor*

### How would you define an elite?

One simple definition is that elites are the people who are privileged over the others, who don't deserve to acquire the status they have attained but by their ancestry, they acquire wealth and power. Also, Pakistan is a post-colonial society, we already have a lot of complexes that are linked to the British colonizers. So, I think we cannot just call people elites due to the money they possess. I even made a video on this that generational wealth no longer is the sole marker of an elite. People who have strong social capital, the ones who speak *sushta Urdu*, the ones who speak fluent English, all are included in the social elites. One video which got viral over the Eid was of a man who was selling goats and conversing in English in his transactional dealings with his customers. People were impressed and the video was widely shared. It doesn't matter if his English was grammatically correct or not, since he was speaking in a certain accent, people thought that he was superior to them. I consider people for whom the public has internalized that the former are superior based on their complexes and perceptions and in turn the public is willing to do anything for them, are also elites. My grandfather used to speak about what value people attribute to human beings. He used to say that people are happy with you if you have money, no matter if that money can be of any benefit for them or not. The family, friends, and strangers look up to you. Just because you have money. Additionally, elitism has to do with optics, which brands are you wearing, and who are you socializing with, in our field even there is a thing I call social media capital; how many followers you have on social media. Markers like these slot people in different categories of elites.

### Do you think the elites who dominated the political, business and military landscapes in the 1960s, 70s, and 80s, are dominant today? Or, have they evolved, and has the core widened?

I believe that Pakistan was made for elites. There wasn't anyone who could top the British colonizers in the epitome of elitism. The ones closely knitted with the British elites had already made decisions about the division of land. This region is yours; this is for the elites in India. India, to some extent, has come out or at least trying to come out of this elitism. But, we are still stuck there. There are many reasons for this. No one is more elite than Pakistan's military wing. In my personal experience, belonging to an army background, we



always had a batman, a free telephone, and staff to pack for you when you shifted during transfers. My father was an army officer. I can write volumes on the opulence, you have a free telephone installed at home. I remember batman was always there to cook food, iron clothes, hang clothes on the hangers, and even place our schoolbags in the cars when we left for school. We have experienced such privileges and have lived lives in such bubbles. So, considering what the public goes through daily to earn daily wages, we were elites. So, people like these, in the army, are not ancestral elites, they are elites because of an affiliation with a country's institution. The institutions were designed in ways to facilitate elites only. All the resources were and are at their expense. Why? So that they can maintain their hegemony. I will add that many of the NGOs working for poverty alleviation are elites. What do they know about poverty? They haven't lived it, never experienced it. But they are vocal about the issues of the poor. Why? You are the biggest cause of their poverty? Your class is the biggest contributor and sustainer of poverty. So, I believe the definition of elites hasn't changed much. The same families dominate. Yes, a few more have infiltrated into these families by proxy or associations. But no such major inclusions have occurred. The so-called caretakers are the same, and the gatekeepers are the same, reaping the benefits singularly, as they have reaped in the past.

### Do you believe that elites are inevitable in any society?

In a capitalist society, the elites are inevitable. Because the system is built on the idea that a few will reign, and the majority will serve the few powerful. I have often heard such elites saying that the poor are poor because of their virtue, due to their fault or because they don't deserve any better. I have also heard audacious remarks that whenever the poor receives even a meagre amount, they spend lavishly. I just don't get it. Do we give them enough to spend lavishly? we were shooting in androon

(old) Lahore where drug addicts roam and ask for money. A person gave one of the addicts ten rupees and forbade him to spend on drugs. The addict replied, 'Oh! I was planning Umrah with this money!' They can barely purchase one bread with the money we give them. what amount do we offer to our domestic helpers? That amount can barely run the monthly expenditures of a household. And don't forget the money we offer is after one month of extremely strenuous and physically demanding work. We have systematically kept the poor, poor in our society. Since we don't pay them for the amount and type of work they do and deserve, we keep all the money to ourselves. Our households are the reflection of our institutions and country. Our system is running exactly like this. We have just given politically correct names to these systems, slavery has become house help now. The very thought is that we are the privileged ones, and they are created to serve us only. This is inevitable in this system. If there is an equitable system where everyone is equal, and there is equality in the distribution of economic and social resources, then these gatekeeping elites will not be inevitable.

## Elites are inevitable in the capitalist societies!

**Can you share some experiences dealing with social, political, business or any such elites?**

I live in Gujarat which is included in the big industrial cities of Pakistan, just like Faisalabad and Gujranwala. You will find multiple fan and furniture industries in Pakistan. and my parents have strong social capital built with these industrial elites. My father is friends with industrialists and their wives are friends with my mother who is a doctor. They all make up a big social elite group. There is a gymkhana in Gujarat too. Places like gymkhana are developed to make it a point that only one class is at the top and can never be superseded, that only one class can come here. Only those who can speak, eat, dress and spend a certain way can visit here. So, this is an enforced elitism through which we proclaim to society that we are different from you, better than you, we deserve more than you do. We come here and you just cannot. So, my parents' social circle is industrial, and I would also call them political elites because they both cannot survive without the support of each other. Industrial elites sponsor political elites and political elites facilitate industrial elites through preferential policies and tax exemptions. I often discuss with my parents why the poor are poor and it's the system maintained by people like us all that has structurally systematized poverty.



## Elites are the biggest contributors & sustainers of poverty.

**Do you find a connection between current elites and colonial elites?**

Yes, there is. The British elites transferred their power to the political, business and military elites of Pakistan. I always say that the biggest differentiating and uniting factor in any society is class. A billionaire from Saudi Arabia cannot relate to the working class there. He can always relate to the millionaire of the USA. Because their business, problems, social lives and daily routines are similar. Now, I cannot relate to the fact that I cannot identify an issue in my yacht, that my million rupees of equipment is stuck in customs, or that my private jet is refrained from flying in a certain zone. These are not my issues. I can relate to the issues of my class, not theirs. So, an elite of one country cannot relate to the culture and social conditions of the working class of that society. Therefore, all they are interested in is their self-driven interests and the transactions they make with one another.

**Under this landscape do you think that meritocracy exists?**

See, it does exist in certain industries. For instance, sports. To some extent in performing arts. In fields where privilege cannot be intergenerationally transferred. An industrial elite can transfer business to his children, but I cannot say this about the business acumen. It's not given that a child to an acclaimed actor will act well too. He can land good opportunities for him, but this is the field in which work is directly consumed by the viewers, and the audience explicitly rejects or accepts it. A good cricketer or a footballer can train his children and use sources to include in the team. But eventually, the performance will be out in the open for people to judge. How long such players can survive on nepotism or favoritism? In professions like these, there is a margin for meritocracy. Because you want people who do well in such fields. And there are examples where people have started with zero insider connections, they performed and delivered and now they are successful in their fields, purely on merit. So, there are industries and professions where merit can work. Also, I strongly believe that businessmen love their money. They won't let their money slip if their children aren't yielding financial surpluses. They must hire people on merit to sustain their businesses. That is another debate that they would hire capable and deserving people on merit, but their businesses will always go to their children.

**Is meritocracy an alternative system or is it an extension of elitism?**

To some extent, meritocracy is an extension of elitism. The ones who give chances are those who are powerful. Chance even or merit is given by the same powerful people. Who shouldn't be given a chance also comes from the powerful. Even meritocracy doesn't function on hundred per cent equality or justice. The gatekeeping elites, the movers and shakers, give a chance to those they like. There is a trained singer who sings exceptionally well. The other singer doesn't sing as well as the first one, but he has a face, personality, vibe, looks and overall package. He will be preferred. His voice will be corrected using auto-tuners. The producers who are the chance-givers need a complete package. Ideally, singing supposedly must be, should be solely based on how well somebody can sing. Just look through the singers in the 1950s, 60s and even the 90s. Not many of them were conventionally good-looking looking but they didn't use autotune. It wasn't necessary. These days all the singers are good-looking! Recently, I was thinking about why we don't have an average-looking singer, why all singers are so good-looking, and why all good-looking people can sing. They also act in films

and dramas. Eventually, everything boils down to capitalism in which everything is put on sale, where you must sell a package. In earlier days, a singer was a different person and an actor a different person. Now a singer is singing, appearing in music videos, has a screen presence, can sell concert tickets, can sell clothes, can collaborate with clothing brands, has good teeth so that brands can approach him/her for advertisements, and has good hair because he/she has to sell hair products, has good skin because beauty products will be sold through his/her face value, he has to sell body dysmorphia too. In all of it, voice is far from important. You cannot listen to many singers without the autotunes. Therefore, merit can be problematic when questions like who decides the merit, where the merit comes from and who will be among the beneficiaries of this merit, are addressed.



### So, can meritocracy be an alternative to elitism?

If there has to be an alternative system, then merit should be given a priority and must not be determined by the gatekeeping elites. Meritocracy will not bring about any change in the existing system if the same gatekeeping elites are the decisive figures. But as I said earlier that the ones who are already elites are not stupid. They have maintained their hegemony by placing these systems of oppression, manipulation and exploitation, in place. These systems cannot be sustained without hiring capable people who know their jobs. The system needs a complete overhaul so that it benefits everyone. We attribute human value to a person only when he/she can contribute monetarily. I don't believe in this. A person should have access to safety and security, food and education because he/she is a human being. It doesn't matter if he/she can mint money, churn out academic papers, sing, act or dance. If he is a daily wageer or a businessperson. If a person isn't any of them, he doesn't deserve to have rights? We can't look beyond transactions even in meritocracy. See I am a doctor, a content creator, and an actress. Why am I valued more than a person who isn't any of these? That person should have rights that are attributed to me by my profession. Unless we question our own privileges, we cannot think about an equitable system.

### Do meritocratic elites exist in Pakistan? If yes, then what examples would you quote?

Yes, they do, but I doubt they can sustain it without support from the financial, political or business elites. There are but one cannot claim that they have achieved everything on 100 per cent merit. Sports, performing arts, movie and music industries, painting, and visual arts...people in these fields must have attained status and power based on their talent. But eventually, we all are part of a capitalist society. And in this system money comes after being circulated from political and financial elites. Even the meritocratic elites such as those I have mentioned have to survive by putting a price on their hair, skin, and colours, in advertisements.

**Meritocracy, to some extent, exists in sports, visual arts & performing arts.**

### Do you think that acting is a level playing field?

A level playing field doesn't exist in any profession. And it cannot exist in any society. A system which thrives on exploitation can never have a level playing field. The acting profession is no different. We are often told that in the golden age of drama in Pakistan, sponsors didn't have much say. Now the sponsors are very influential. The issue for sponsors is how many advertisements he/she will secure. The channel owners look out for ratings based on which advertisements would be secured. And ratings are so random and false. Where are ratings coming from? Even a road accident can create curiosity, generate clout and become a source of excitement for the entertainment-deprived Pakistani people. It doesn't mean that people like to see accidents. It means that people have time to spend, and they will run to witness the live-accident for the supposed excitement and entertainment it would generate. I can also see the trend of hiring social media influencers having millions of followers for acting roles. They are hired because production houses think that their followers will bring high viewership, bringing in more ratings and more sponsors. There are many good content creators out there. They keep on churning out good content. But they are not good actors. Acting is a different field altogether. Those who act well on their phone screens do not always perform well in front of the professional camera, may not learn lines well, and may not emote well. Groupism is also common. A few directors and TV channels don't work with diverse groups of people. The next one is nepotism. I honestly don't find it a big issue. A TV/film producer may give his son a first, second or even third chance which I agree is not available to an outsider, but if he is not performing well, why would he spend on the fourth film/TV? This is a reality which isn't just limited to the drama or TV industry. Yes, some people are offered work despite not delivering. Many people from the industry while meeting tell me how much they like my work, my videos are shared with their friends and family circles. But they would never cast me in any role. They would always cast A-listers or stars or those who are established. Or, those who are in groups or friends with them. so, this level playing field doesn't exist anywhere.

### Are there gatekeeping elites in Pakistan's media industry?

There surely are. the ones who just don't guide people, don't teach people, and want to keep whatever resources and knowledge they have to themselves. They also don't let talent come forward. Even in medical profession, there are many professors who don't teach new doctors about techniques fearing that if they pass on



knowledge, who would come to seek for their assistance.

**How has been the journey for you as a content creator and an actor because you have made that journey on your own and your terms?**

The journey was long. I was one of the earlier YouTubers who started in 2017. The journey since then has been fun and I have never felt tired of this work. When I started, production houses were not hiring people from social media into the mainstream media. Now, this trend is common. A lot of my work was and still is acting-based. I played different characters in my videos...grandmother, granddaughter, mother, man or woman, irrespective of gender age or class, I have played it all in my videos. All my characters gave me a lot of margins to perform. My work registered me as a performer but my acting job on mainstream media was on-aired much later in 2022 or 2023. After 5 years of producing content on social media. I never felt desperate that other content creators were offered work in mainstream media, and I wasn't at that time. My 2nd or 3rd video had gone viral which was widely circulated. Even today, it has more views on other channels than mine. In mainstream media, you get work, but you don't always get the work you want to do as an artist. Since I don't say yes to every work that comes my way, which is run off the mill, sometimes I feel that the good work offered is not much. This is my biggest struggle. Where are the good writers, where are the good directors? The few who exist work with selective actors and teams.

**Does Pakistan's media industry provide an ecosystem for talent to flourish and for talented people to become meritocratic elites eventually?**

Good mentors are missing. Eventually, it's an industry. People must complete 6 shifts in a day, sometimes three dramas are contemporaneously shot. Directors and actors all are busy. Most of the content on mainstream media is not about social change. All that is in focus is the scenes churned out in a day. There are a few people who are producing socially relevant work. There are artists within the industry who extend helping hands despite their demanding acting schedules. Nadia Afghan has taught me how to pose in front of a camera, what is the right side, and left side, what is over a shoulder shot, what is two shots, what is a closeup shot, master shot, etc., she has taught me all these technical terminologies by writing down on a copy with a pencil. Usman Khalid Butt was also so appreciative. I was lucky enough to have my second drama with Kashif Nisar. He was also very collaborative and participatory. Samina Ahmed Sahiba taught me about positioning in a scene. She was also instrumental in

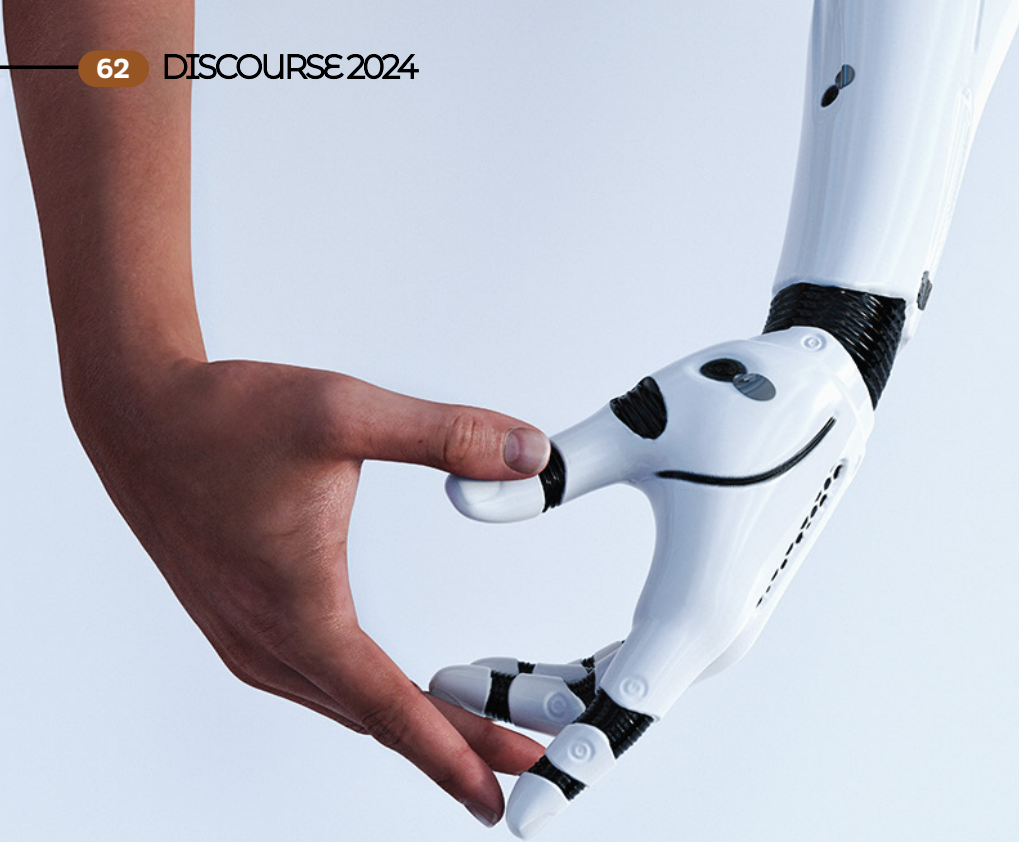
teaching me how not to block light for any actor and to find a place in a scene where light is on my face, too. Faseeh Bari Khan also taught me to be true to the character and feel uninhibited in front of the camera.

**Meritocracy will not bring any change in the existing system if the same old gatekeeping elites are the decisive figures!**



# CONTEMPORARY DEBATES ON ELITE CAPTURE





# AI AND EDUCATIONAL ELITISM

**Bina Shah**

*It's up to global South educators to harness AI as a learning tool without damaging scholarship in an already fragile educational environment*

What sci-fi junkies and technology experts have been dreaming about for decades is finally here: artificial intelligence that possibly equals or even surpasses human intelligence. Inevitably, AI is going to disrupt learning and education as we know it. Some educators are excited by this opportunity; others, understandably terrified. This is a critical time for educators to familiarize themselves with AI's capabilities so that the technology serves the classroom, not the other way around. And the need is most urgent in classrooms outside of the Global North, or the developed world.

Global South educators must take control of AI and its tools, understand how they work, and how their students are using them (as students and young people tend to always be ahead in terms of technology use). And they have to do it faster than the time they took to get used to the Internet in the late 90s and early 2000s, because the tech industry is already working on how to monetize classrooms. Sal Khan of Khans Academy envisions a personalized AI tutor for every student and personalized AI teaching assistant for every teacher in the world. More educational tools will crowd the market; the economic incentive, combined with the way AI can be misused will make a mockery of assessment -- imagine students using AI to write papers and educators using AI tools to grade them. It will replace

human interaction with AI-assisted shortcuts, creating an isolation that the pandemic already showed us was harmful to students' mental and emotional health.

In the Global South and elsewhere, high school and undergraduate students already use AI to write their essays from start to finish, especially in postcolonial and decolonized countries where a European language was imposed on a non-English speaking population. Nadia Agha, Professor and head of the Gender Studies Center in Shah Abdul Latif University, Khairpur, notes that students have always plagiarized the work of others, but are now using ChatGPT for everything – writing proposals, conducting research – without the critical skills needed to evaluate the accuracy or even the logic of the written output.

In Pakistan, the Higher Education Commission treats the use of AI as plagiarism and only recommends the use of plagiarism software to check it, which is a flawed and faulty way of dealing with the problem. Universities around the world are scrambling to formulate sound AI policy, while others simply mandate that it should not be used at all. But as Agha observes, research candidates are not trained well in critical thinking and academic writing; AI is already negatively influencing Global South researchers and graduate students, who use it to produce substandard research papers and dissertations that fail to meet a global standard of excellence for inclusion in the worldwide academe.

Stephen Lyon, Dean of the Faculty of Arts and Sciences at Aga Khan University in Karachi, recognizes that AI poses a threat to the acquisition of critical thinking and analytical skills. But he is equally confident that AI will level a playing field that has been skewed for many years, for international and working-class undergraduate students who have been marginalized from non-vocational education. He believes AI's generative writing tools can help undergraduate students revise and rewrite their theses and documents, giving them the thinking space to develop intellectual skills often taken for granted in elite universities.

In Pakistan the research environment has already been "fashioned by incompetent faculty who are improperly trained to supervise students," according to Muhammed Z. Ahmed, a Pakistani PhD who works with the USDA. It's the same in other Global South Countries: "Western publishers rate our work lowly, and do not publish our work as easily as they publish from elsewhere," says Augustine Gitonga, an academic

writing editor and librarian at the Aga Khan University in Nairobi. He is not anti-AI, but he prefers the use of AI tools like Grammarly and Writeful to support students' writing, and help them develop skills, rather than using Generative AI like ChatGPT, which "weakens the actual capacity to do real work."

Mathew Barber, a historian at the Aga Khan Institute for the Study of Muslim Civilizations and its Center for Digital Humanities, has been deeply engaged in the discussion on AI in education. In his field, the ability of AI to read and interpret large sources of data across languages, text types and systems, is a significant form of knowledge creation that nevertheless requires human oversight. AI can even aid human creativity, resulting in interdisciplinary courses and hybrid subjects for classrooms of the future.

But the dominance of English as the lingua franca of the LLMs, with scant attention paid to developing similar models in non-European languages, poses the danger of increasing the already substantial gap between research in academic rigor and intellectual standards produced in the global North and global South. Educators in the MENA, African, and SWANA regions face the prospect of AI distorting that gap to the point that it can't ever be bridged.

David Chojnacki, an international educator with 5 decades of experience who works in Near East and South Asian education as a government consultant, believes that as educational AI becomes more skilled, people will be more easily satisfied with its results but less concerned with the quality of learning and scholarship taking place in the classroom. Furthermore, in turning over many academic responsibilities to AI, people will mistake intelligence for wisdom.

A more practical use of AI is in the field of vocational training, where global South students can learn to use AI in order to create the generic texts and content needed in business, government, and commercial settings. But this will also exclude those students from the levels of higher education that produces thinkers, leaders, and artists who will use AI in different ways -- as a supplement, not a replacement, for creativity and scholarship.

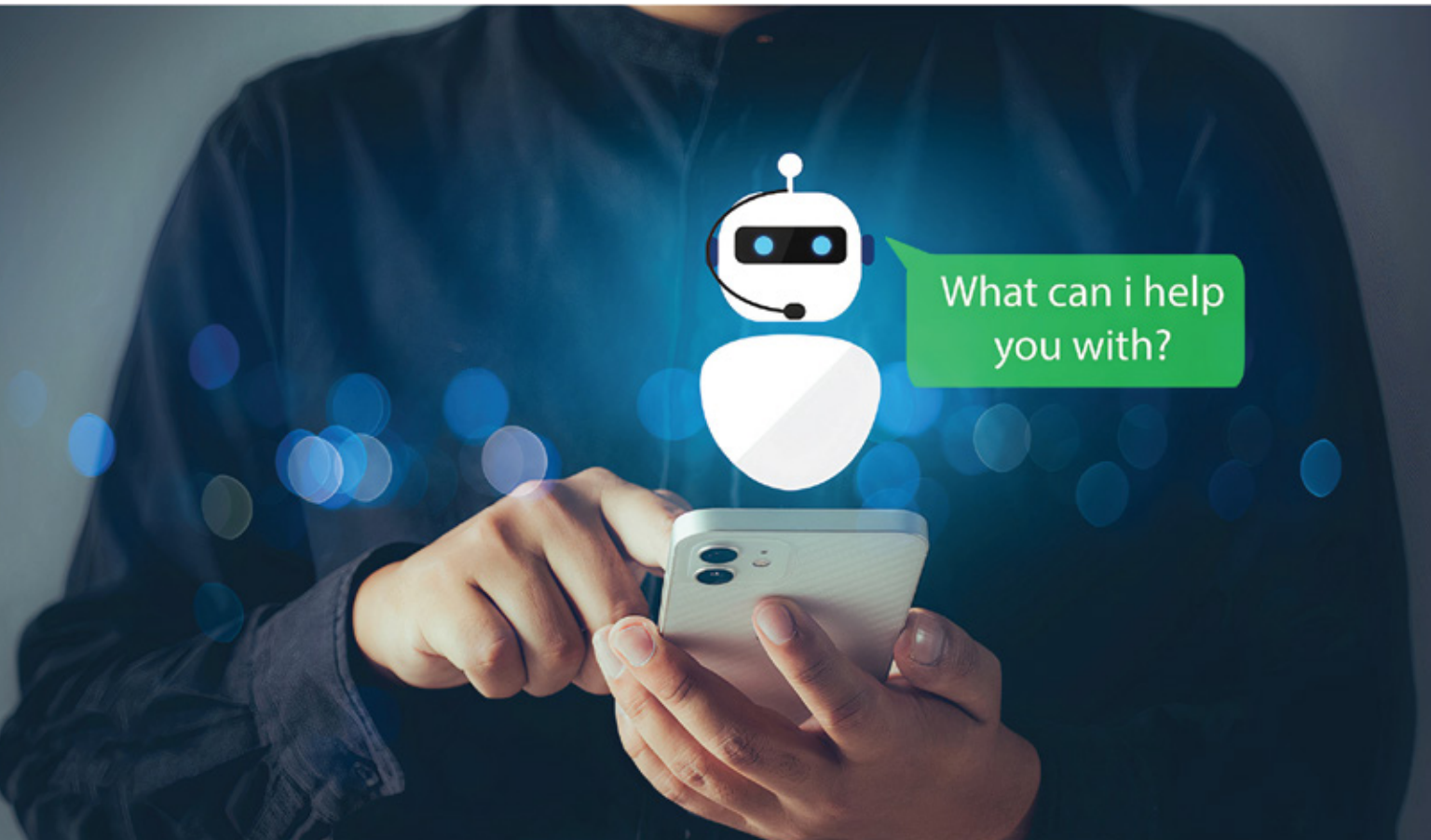
Mathew Barber, who strongly supports the use of AI in academics, recalls how as a student from a non-elite background he entered Oxford University without the skills to write academic papers. In weekly sessions with his tutors, he was made to write papers that were never marked for a grade. In this manner he learned how to write, how to form arguments and defend a thesis

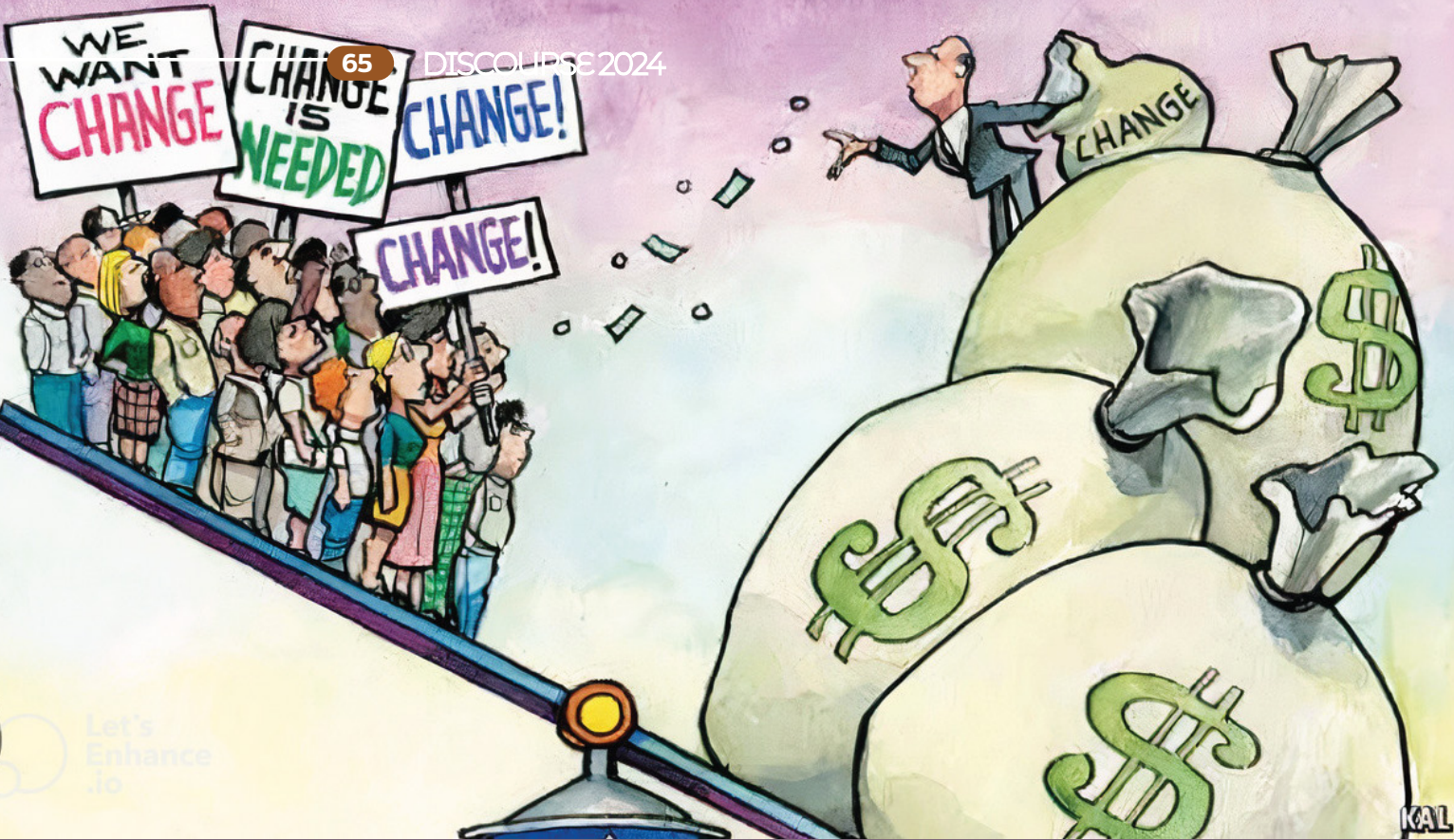
statement, to cite sources correctly. This grueling experience engendered a love for academic discipline and excellence that may not have emerged if AI had been there to do the hard work for him.

In countries like Pakistan, where quantity is already valued over quality, AI threatens to overwhelm the educational field completely. The temptation to turn to ChatGPT to write that research paper or essay, especially in English, is too high right now. And educators who themselves may not have had proper training in academic research and writing might even encourage the use of AI among their students, regardless of its flaws and errors. A future where AI robs Global South students of the chance to develop as critical thinkers and human beings will put them at a permanent disadvantage in the wider world.

All educators must address their own fears about AI by learning everything they can to objectively harness it as a learning tool in the classroom, one that augments scholarship without damaging its long-term human advantages. For Pakistan, and the rest of the global South, AI will force us to change the education system, if not to dismantle it completely. If we learn to focus more on processes -- the acquisition of learning, the development of critical thinking skills, academic integrity -- rather than products (the graded research paper, the essay, the take-home exam), the disruption might actually work in our favor.

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# THE PHENOMENON OF UNDERDEVELOPMENT: A CASE OF PAKISTAN

**Tahir Kamran**

Before delineating a strategic approach to understanding underdevelopment, it is prudent to engage in a discourse on the conceptualization of underdevelopment itself. Within the extensive body of literature encompassing political economy, both historical and contemporary, underdevelopment is predominantly construed as a condition characterized by inherent structural impediments to economic advancement. "Underdevelopment" typically refers to a condition in which a country or region lacks the economic, social, and political infrastructure necessary for development. It's often characterized by low levels of income, limited access to education and healthcare, inadequate infrastructure, high unemployment, and reliance on primary industries.

The term "underdevelopment" was popularized during the mid-20th century, particularly in the field of development economics and political economy. While it's challenging to attribute its exact coinage to a single individual, scholars such as Walt Rostow and Gunnar Myrdal played significant roles in popularizing and conceptualizing the idea of underdevelopment during the 1950s and 1960s.<sup>26</sup> Rostow's stages of economic growth theory and Myrdal's work on economic development and inequality contributed to the understanding of underdevelopment as a distinct condition characterized by structural impediments to economic advancement. Underdevelopment can result from

a variety of factors including historical legacies, colonialism, corruption, poor governance, inadequate investment in human capital, and unfavourable global economic conditions.

Immanuel Wallerstein's theory of underdevelopment is closely associated with his world-system theory, which views the global economy as a complex system characterized by hierarchical relationships between core, semi-peripheral, and peripheral countries. In Wallerstein's framework, underdevelopment is not seen as a natural state or a stage that countries must pass through on their way to development, but rather as a structural feature of the global capitalist system. Underdevelopment is the result of the historical processes of colonization, exploitation, and unequal exchange that have occurred within this system.<sup>27</sup>

According to Wallerstein, underdevelopment is perpetuated by how the world system is structured, with core countries benefiting from the exploitation of peripheral and semi-peripheral countries. Peripheral countries are typically characterized by their dependence on the export of raw materials, low-value manufactured goods, and cheap labour, while core countries dominate the production and consumption of high-value goods and services. Wallerstein argues that attempts to address underdevelopment through strategies such as foreign aid or economic development programs are ultimately ineffective because they fail to address the underlying structural inequalities of the world system. Instead, he advocates for radical political and economic changes that challenge the existing global order and redistribute wealth and power more equitably among nations.<sup>28</sup>

Within the Marxist framework of political economy, an analysis elucidated the contrasting trajectories of capitalism's impact on European economies during the industrialization phase and on colonized economies. This analysis revealed a dynamic pattern wherein European capitalism exhibited robust growth dynamics, juxtaposed with a deliberate embedding of economic stagnation within colonized economies. Notably, the restructuring of these economies aimed at augmenting surplus generation capacity while thwarting domestic reinvestment endeavours. Instead, a systematic process of resource extraction was institutionalized, facilitating the consistent transfer of economic surplus to colonial economies. Consequently, the global capitalist system exerted disparate effects on European nations vis-à-vis countries in Asia, Africa, and Latin America. It engendered developmental outcomes for Western countries while perpetuating conditions of underdevelopment for economies in the Third World.

Characteristic of the colonial economic framework was its focus on the production and exportation of primary goods of relatively modest value, juxtaposed with the importation of high-value manufactured goods from

Western nations, where specialization in such production had been attained by the nineteenth century. The consequential deterioration in terms of trade vis-à-vis Third World nations emerged as the principal mechanism facilitating the transfer of resources from underdeveloped regions to the developed world.

In the post-independence era, elites in numerous former colonial territories, such as Pakistan, endeavoured to pursue industrialization as a means of fostering economic growth, albeit within a neo-colonial institutional structure rooted in rent-seeking practices. This approach to industrialization mirrored an assembly-line model, lacking the requisite international competitiveness. Simultaneously, local entrepreneurial elites displayed reluctance to diversify into exports of high-value-added goods. This hesitancy stemmed from a risk-averse mentality cultivated within a rent-oriented milieu, characterized by state protection from international competition, subsidies, and access to inexpensive credit.

In the context of Wallerstein's world-system theory and other Marxist perspectives, the underdevelopment of Pakistan can be attributed to a combination of historical, economic, and political factors, both internal and external. Here are some key aspects:

1. **Colonial Legacy:** Pakistan, like many other countries in the Global South, was colonized by European powers (in Pakistan's case, primarily by the British). The colonial period led to the extraction of resources, the destruction of local industries, and the imposition of political and economic structures that served the interests of the colonizers rather than the local population.
2. **Dependency Theory:** According to dependency theory, underdevelopment is perpetuated by the unequal relationships between developed and underdeveloped countries within the global capitalist system. Pakistan's economy has long been dependent on exports of primary commodities, such as agricultural products and textiles, which have limited value-added and are subject to fluctuating prices in the global market.<sup>29</sup>

<sup>27</sup>Wallerstein, Immanuel, *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, (New York, Academic Press Location: 1974).

<sup>28</sup>*Ibid.*

<sup>29</sup>On dependency theory, see Cardoso, Fernando Henrique, and Enzo Faletto, *Dependency and Development in Latin America* (Berkeley, University of California Press, 1979).

<sup>30</sup>Wallerstein, Immanuel, *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, (New York, Academic Press Location: 1974).

<sup>31</sup>Shitiaz Nazeef, "Fundamental Determinants of Developing Countries' Income Terms of Trade: A Reassessment of the Prebisch-Singer Thesis", M.Phil. Dissertation, Department of Economics, Forman Christian College (A Chartered University), Lahore, 2016, cited in Hussain Akmal, Pakistan, *Institutional Instability& Underdevelopment: State, People and Consciousness* (Lahore: Folio Books, 2023), p.244.

<sup>32</sup>Hussain Akmal, Pakistan, *Institutional Instability& Underdevelopment: State, People and Consciousness*, pp.245-48.

<sup>26</sup>Smith, J., "The Origins of the Concept of Underdevelopment" *Journal of Economic History*: 2021 Volume: 30 Issue: 2, 45-62. Hussain, Akmal, *Imperialism, Encyclopedia of Capitalism*, Vol:11(H-R), Syed B.Hussain (General Editor), Fact on File Inc., New York, 2004, pp.397-401.

3. **Neocolonialism:** Even after gaining independence, Pakistan and other formerly colonized nations continued to face economic and political domination by former colonial powers and other advanced capitalist countries. This neocolonial relationship has often manifested through unequal trade agreements, foreign debt, and the influence of international financial institutions like the IMF and World Bank.
4. **Unequal Distribution of Resources:** Within Pakistan, there are significant disparities in the distribution of wealth, land, and resources. Land ownership is concentrated among a small elite, while the majority of the population struggles with poverty and lack of access to basic services such as education and healthcare.
5. **Political Instability and Corruption:** Political instability, frequent military interventions, and corruption have hindered Pakistan's development efforts. Weak governance structures and the prioritization of elite interests over those of the broader population have contributed to a lack of effective policy implementation and infrastructure development.
6. **Militarization:** Pakistan's significant investment in its military, including conflicts with neighboring India and involvement in the Afghan war, has diverted resources away from social and economic development. Military spending often takes precedence over investments in education, healthcare, and infrastructure.<sup>30</sup>

Addressing underdevelopment in Pakistan from a Marxist perspective would involve challenging the existing capitalist system, redistributing wealth and power more equitably, promoting domestic industries, reducing dependence on foreign aid and loans, and implementing policies that prioritize the needs of the majority rather than the interests of the elite and external powers.

Pakistan's struggle to diversify exports into high-value-added products has hindered sustained economic growth, unlike China and Turkey, which successfully enhanced their income terms of trade through such diversification. Nazeef Ishtiaq's research challenges the notion that shifting to manufactured exports alone improves income terms of trade; instead, diversifying into knowledge-intensive goods and services is crucial for sustained growth.<sup>31</sup>

Within the Marxist paradigm, power dynamics in advanced capitalist societies drive imperialist control over Third World nations, extracting economic surplus through military and economic dominance and disseminating hegemonic ideologies. This colonial and neocolonial restructuring integrated Third World economies into global capital accumulation, perpetuating their subordinate position. Mental restructuring during colonialism severed indigenous peoples from their culture and creativity, while in the neo-colonial era, adherence to Western economic doctrines stifled critical

inquiry and policy innovation in Pakistan. The failure of neo-colonial elites to promote independent thinking and original knowledge generation perpetuated colonial-era structures of underdevelopment, despite Pakistan's sovereignty.

According to the economist Akmal Hussain, the New Institutional Economics (NIE) offers a distinct perspective on underdevelopment, focusing on the efficiency of institutional structures as the primary determinant of economic performance. Unlike Marxist traditions, the NIE emphasizes that developed countries sustain long-term growth due to efficient institutions, while underdeveloped countries experience sporadic growth due to inefficiencies. However, the NIE overlooks power dynamics and ideological influences shaping institutional frameworks, limiting its analysis to economic efficiency. In Pakistan, rent-based institutional frameworks have led to heightened contention among ruling elites, exacerbating instability and perpetuating underdevelopment. Underdevelopment, therefore, can be redefined as the systematic suppression of society's human potential, encompassing economic, social, and moral dimensions. Overcoming underdevelopment requires addressing inequalities in access to resources and opportunities, nurturing compassion, and fostering virtuous actions that align with the deepest consciousness of individuals.<sup>32</sup>

In conclusion, the conceptualization of underdevelopment encompasses a myriad of factors rooted in historical, economic, and political contexts. Immanuel Wallerstein's world-system theory, along with Marxist perspectives, shed light on the structural inequalities perpetuating underdevelopment in countries like Pakistan. These inequalities stem from colonial legacies, neocolonial relationships, unequal distribution of resources, political instability, and militarization, all of which hinder sustainable development. Additionally, the New Institutional Economics (NIE) offers insights into the role of institutional efficiency in economic performance but fails to account for power dynamics and ideological influences. Addressing underdevelopment requires challenging existing power structures, redistributing wealth and resources equitably, promoting domestic industries, and fostering critical inquiry and original knowledge generation. Ultimately, overcoming underdevelopment in Pakistan necessitates a holistic approach that addresses economic, social, and moral dimensions, empowering individuals and communities to realize their full human potential.

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# ELITE CAPTURE OF BROADCAST AND SOCIAL MEDIA

Sania Ahmed

With the news of a firewall being installed to regulate internet usage particularly social media sites such as Facebook, YouTube and X. The government will have undue power to recognise IP addresses associated with what it labels as “anti state propaganda”. Media in Pakistan continues to suffer because of such repeated attempts to stifle free speech through excessive regulatory restrictions, content monitoring, threats to media personnel coupled with an untenable revenue generation framework<sup>33</sup>. State and non-state actors exploit this vulnerability to gain political power and fulfil their vested interests. This undue control of media by the government influences what information is produced and who receives it, which eventually serves to manipulate the thinking of 54.3%<sup>34</sup> of the population who do not have access to the internet. PEMRA the regulatory authority of the media was institutionalised in 2002 to deregulate the airwaves of the country. Its responsibilities include issuing of licences for broadcast media, regulating issuance of licenses to the private satellite and radio broadcasters, along with issuances of license for distribution systems. Media regulatory bodies are created to dispense licenses to the private sector for reducing monopolies and serve as a precursor for independent and free media. This independence however, is put into question in Section 5 of the PEMRA Ordinance of 2002, which states that federal government can issue policy directives and these directives are binding<sup>35</sup>.

To further decrease its autonomy, the government of Pakistan linked the authority with the Ministry of Information and Broadcasting in 2017, which gave the federal government the instrumentality to issue directives as they seem fit. Media laws and rules are based on mainstream mentality of controlling, monitoring and observing rather than providing an enabling and encouraging environment to persuade media to abide by the law. The broadcast sector has transformed into an oligopoly of sorts as existing players continue to strengthen due to their hold on electronic media meanwhile new entrants are discouraged to compete with existing media magnates. This concentration of players

can dictate the kind of information that is circulated moreover it discourages pluralism and suppresses critical dialogue as well.

Despite the privately owned media being portrayed as independent, local media, in particular, is reliant on legal notices and public sector advertisement for financing<sup>36</sup>. This dependence is exploited by information ministries, at the provincial and national levels, who intimidate and threaten to retract advertisement in order to influence editorial procedures. Media outlets that take the courage to cross these lines are not only subjected to financial reprisal but physical harassment as well. This leads many journalists to engage in self-censorship to avoid their salaries being terminated or worse, facing criminal sanctions- in extreme cases three-year imprisonment on charges sedition.

A recent report published by the International Press Institute (IPI) paints a harrowing picture of the state of press freedom in Pakistan. The institute recorded at least 35 press freedom violations between October 2022 and March 2023<sup>37</sup>. Majority of these infringements were committed by agents of the state and the perpetrators of these condemnable crimes are rarely brought to justice. For the last three decades at least 97 journalists have been killed in our country and among these only two instances have the killers been partially convicted<sup>38</sup>. Journalists are often killed in Pakistan for covering protests and exposing corruption, and those that do not face death threats, are often subjected to online harassment and legal intimidation through arrest and criminal allegations.

<sup>33</sup><https://file.pide.org.pk/uploads/kb-035-the-electronic-media-economy-in-pakistan-issues-and-challenges.pdf>

<sup>34</sup><https://datareportal.com/reports/digital-2024-pakistan>

<sup>35</sup><https://file.pide.org.pk/uploads/book-48-chapter-6-pakistan-electronic-media-regulatory-authority.pdf>

<sup>36</sup><https://rsf.org/en/country/pakistan>

<sup>37</sup><https://ipi.media/wp-content/uploads/2023/05/2022-23-south-asia-monitoring-pakistan.pdf>

<sup>38</sup><https://www.dawn.com/news/1785586>

The regulatory authority itself issues directives, that the media content or the person which/who disparages the Head of the State, armed forces or executives, legislatives or judicial constituencies of the State is legally responsible to be jailed for up to 3 years and can be fined up to 3 Million rupees with cancelled licenses. These institutions have been cited as responsible for many of the country's economic woes and by considering them sacrosanct journalists have no choice but to resort to YouTube and online mediums for reporting and sharing their viewpoints. With media houses linking to commercial, political and non-political organisations, and to win the race for Television Rating Points (TRP) quality of content is deteriorating and space for balanced journalism is shrinking on mainstream media.

Talat Hussain, a former anchor for GEO news was fired for questioning the PTI government's election victory of 2018.<sup>39</sup> He was quite vocal about his dismissal and mentioned how the government, which buys a lot of ads to propagate its initiatives to the masses, can also divert funds from channels, compelling media houses to take undesirable anchors off air.

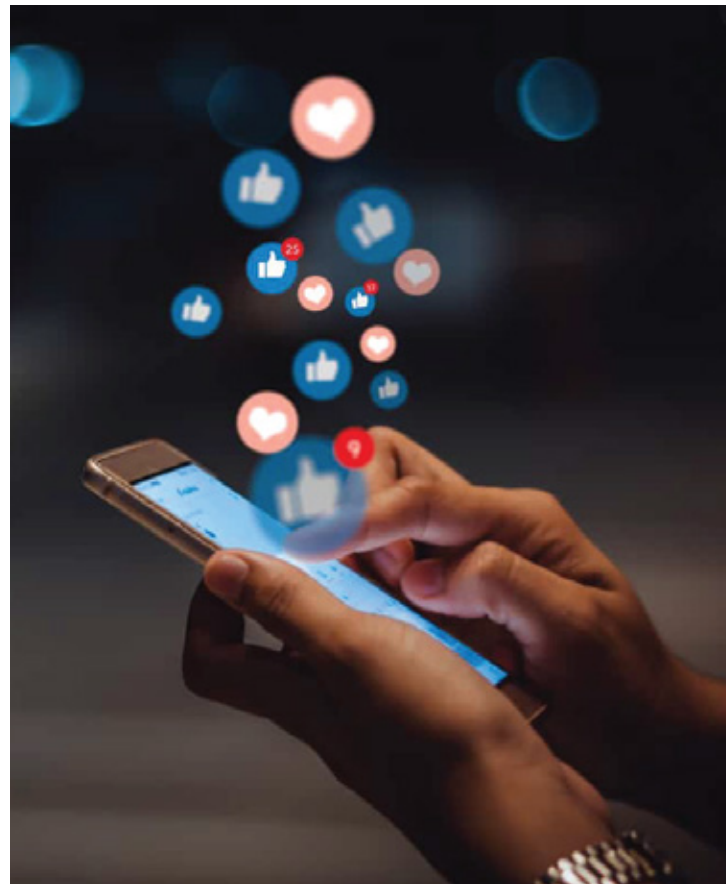
After his ouster, Hussain attempted to move towards print publications but the government followed him there as well, and approached multiple news outlets to not publish his work. This prompted him to work towards his YouTube channel, which has more than 270,000 subscribers along with this he works as an independent consultant. However, starting a news channel on YouTube is a double edged sword, where due to lack of fact checking misinformation is rampant. Content creators can quickly find their channel has been demonetized, making it less financially secure.

Under the guise of curbing misinformation and reducing hate speech on online platforms, the government has resorted to implementing laws like the Pakistan Electronic Crimes Act (PECA) which have successively shrunk the space for dissent in Pakistan.<sup>40</sup> Reporters Without Borders (RSF) have analysed this law in detail and have termed it as an attempt to enact 'draconian online censorship' in Pakistan.<sup>41</sup> In 2020, when the new regulations were aimed to replace an earlier set of rules that were rejected because of civil society opposition. The laws that followed were only to extend the government's censorship power towards online platforms. This new regulation called the Removal and Blocking of Unlawful Online Content (Procedure, Oversight and Safeguards), Rules 2020 introduced by the Pakistan Telecommunications Authority (PTA) completely disregarded involving relevant stakeholders firstly.

The aforementioned rule deprived the internet from becoming a resource for reliable and independent information with limited state interference. On the grounds of protecting national security, as per this rule, the PTA can block or withdraw any content that incites or tries to excite dissatisfaction towards the federal or provincial government. Another drawback of the law is ambiguous wording used to justify censoring of any content termed as indecent, immoral or deleterious to the 'glory of Islam', without providing a precise definition of these terms, which gives PTA indiscriminate and infinite power to block and remove online content.

Lack of transparency and accountability is another detriment of the law, where if a person convicted of a penal offense would normally undergo a judicial proceeding. In this case PTA is granted to act both as plaintiff and judge. This allows PTA to make judgments about cases concerning illegality of content, and considering the Authority is an offshoot of the government it further broadens the ambit of censorship.

Another illegitimate power PTA has been given is the authority to block entire websites and social media networks. Sites are initially given 24 hours- or six hours depending on the urgency of the issue to delete or block content that the authority terms as contentious. Failure to do so, results in a blanket ban on the website. Such provisions have been used repeatedly to block different social media sites such as YouTube, Facebook and X (formerly Twitter) which has been banned in Pakistan since February 2024.



<sup>39</sup><https://www.cnet.com/news/politics/forced-off-tv-pakistani-journalists-build-new-audiences-on-youtube/>

<sup>40</sup><https://rsf.org/en/country/pakistan>

<sup>41</sup><https://rsf.org/en/analysis-pakistani-government-s-new-online-censorship-strategy>

Access to social media site X has been blocked from time to time on since the general elections in the start of February. Aimed at suppressing any attempts to protest against election fraud<sup>42</sup>. Maintaining order and protecting 'national' interest have taken precedence over individuals constitutional right to freedom of expression. Take the recent elections as an example why was the internet shut down at such a critical moment? Why were telephonic services completely cut off on the day of the election, if the only way to find out your polling station and address was texting a certain number. These disruptions only favour the current regime that is in power and silent critique on the government.

Not only does this violate our fundamental rights but an infographic compiled by PIDE estimates that the disruption of 3G/4G services in the country amounts to a loss of PKR 1.3 Billion, per day for the country<sup>43</sup>. Such steps exacerbate inequalities as access to the internet is vital for providing job opportunities to the youth and acquiring new skills online. Along with that there is dire need of reform that allows for broadcast media providers to create content that does not exist in silos to consumer's needs. Laws governing broadcast media also needs to be revised and undue power of the authorities such as PTA and PEMRA need to be revisited, by increasing stakeholder engagement during policy formulation. Installing a national firewall will not limit 'anti state propaganda', as if people are not allowed to post online they will resort to the streets or circumvent on other platforms. Protests in Pakistan have had devastating impacts in the past. Given our struggling economy, we cannot afford to alienate current foreign lenders and the International Monetary Fund, which has already expressed serious concerns about a lack of trust in the Pakistani government due to political instability.

<sup>42</sup><https://rsf.org/en/alarms-signs-press-freedom-under-pakistan-s-new-authorities>

<sup>43</sup>[https://file.pide.org.pk/pdf/pideresearch/ig-02-the-economic-cost-of-internet-closure.pdf?\\_gl=1\\*1pnhd48\\*\\_ga\\*NTU2MDE0NDU2LjE2ODYyMjI2OTY\\*\\_ga\\_T5TLWHEVW9\\*MTcxOTlyNDk0NC41My4wLjE3MTkyMjQ5NDQwNjAuMC40NDM4NDg3ODk](https://file.pide.org.pk/pdf/pideresearch/ig-02-the-economic-cost-of-internet-closure.pdf?_gl=1*1pnhd48*_ga*NTU2MDE0NDU2LjE2ODYyMjI2OTY*_ga_T5TLWHEVW9*MTcxOTlyNDk0NC41My4wLjE3MTkyMjQ5NDQwNjAuMC40NDM4NDg3ODk)

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# ELITES AND THE CLIMATE CHANGE: ACCELERATING THE CRISIS FROM THE TOP DOWN?

**Maleeha Sattar**

Climate change is driven by a complex interplay of natural and human factors and it is one of the biggest challenge we face today. However, the role of elites in accelerating this crisis is often overlooked. Elites who possess significant socio-economic power and influence, contribute disproportionately to greenhouse gas emissions and environmental degradation. They are exacerbating the climate crisis with their energy intensive consumption patterns, undemocratic political influence, and prioritization of economic interests over environmental sustainability.

Recently, the images from Ambani's extravagant pre-wedding events flooded our timelines. You might have heard ordinary folks joking they were invited but

didn't have time to go. Everything thing the richest Asian does gets attention and makes news. He is a conglomerate with a net worth of billions. The pre-wedding extravaganza was attended by the likes of Bill Gates, Zuckerberg, Trumps, and array of Bollywood and Hollywood stars. Articles appeared showing the number of private jets that arrived there, the carbon and ecological footprint of the wedding. The scant critical voices drowned in the cacophony of Reliance sponsored media outlets reminding us about the love family has for the nature.

Mukesh Ambani, was on the Advisory Committee to the COP28, of the United Nations Framework Convention on Climate Change (UNFCCC).

The climate concerns expressed by this oil giant were heralded by the elites at Davos earlier. Another event, like COP, where the elites arrive in private jets. A single private jet emit as much as carbon dioxide in one hour as an average person in does in a year. Global elite, despite being a small fraction of the population, contribute disproportionately to the aviation sector's overall emissions. The luxurious lifestyles and consumption patterns show their blatant disregard for the environmental and societal impact. But many of them are fluent in climatespeak now. The elite's rhetoric on climate change echoes the insights of Olúf mí O. Táíwò recent book on Elite Capture. These well-positioned and resourced elites are hijacking political projects and distorting the climate change discourse by determining whose knowledge and value gets attention.

The climatespeak of the elites contradict their extravagant lifestyles, which include frequent air travel, ownership of multiple large properties, and consumption of high-emission goods and services. Their luxury consumption patterns, from yachts to high-end vehicles, have substantial carbon footprints both in their production and operation. The fashion industry which is heavily patronized by wealthy individuals is another significant contributor. High-end fashion not only involves energy intensive production processes but also promotes a culture of disposable clothing which further exacerbates environmental degradation. This relentless pursuit of opulence exemplifies the moral bankruptcy of the elite, prioritizing status symbols over planet's health.

The disproportionately large carbon footprints of the elites directly contribute to the climate crisis. In 2019, Oxfam's report about the polluter elites made headlines worldwide. It revealed that the top 1% wealthiest individuals were produced 16% carbon emissions. The poorest 66%, around 5 billion people, produced the same emission. The richest 10% contributed to half of the emissions that year. The report notes that someone in the bottom 99% would take around 1500 years to produce as much carbon as the richest billionaires do in a year. The 12 richest billionaires produced nearly 17 million tonnes of emission from their multiple large properties, transportation, yachts and investments. Those on the top of the list included Bill Gates, Jeff Bezos, and Elon Musk.<sup>44</sup>

The Great Carbon Divide is historically persistent and widening.<sup>45</sup> Dario Kenner in his book 'Carbon Inequality' has used the term polluter elites for the people running fossil fuel multinationals. He argues

that for long these elites have determined what is "politically possible" and have successfully prevented the transition to green economies.

Even if we ignore the personal consumption patterns we can't ignore the significant influence these elites have over the political and economic systems. They exert this influence by shaping policies and practices through lobbying, campaign contributions and controlling the media narratives. In "Why We can't afford the rich", Andrew Sayer, shows how the concentration of wealth have consequences for society and environment. He argues that the elites have developed systems which allow them to hide their wealth while increasing their political influence. These elites threaten the economy and climate because of the unsustainable and exploitative growth trajectories they favor.

They lobby to prevent the enactment of effective environmental regulations and to protect their vested interests in fossil fuels. They not only perpetuate subsidies for fossil fuel industries but also try to block renewable energy initiatives. In order to preserve their economic dominance, they follow a ruthless prioritization of profit over public welfare. In our own context, the dillydallying to introduce the solar panel manufacturing policy and rumors to end solar net metering to protect imported fuel based power generation is an example<sup>46</sup>. The mainstream media, often owned or influenced by elite interests, enables them to shape public discourse around climate change. Media downplays the urgency of the climate crisis maintains status quo that benefits the elites.

The economic pursuits of the elite often coincide with industries that heavily pollute. Pakistan's elite investments in real estate are contributing to the deterioration of the nation's ecosystems, water resources, and communal lands, and heightening our vulnerability to climate disasters<sup>47</sup>. This alignment creates systemic barriers to meaningful climate action, as transitioning to a low-carbon economy threatens these financial interests. Many elites also have substantial investments in fossil fuel companies. These investments have high returns which create financial incentives to resist or delay the shift to renewable energy.

<sup>44</sup><https://www.theguardian.com/environment/2023/nov/20/twelve-billionaires-climate-emissions-jeff-bezos-bill-gates-elon-musk-carbon-divide?tag=MSF0951a18>

<sup>45</sup><https://www.theguardian.com/environment/ng-interactive/2023/nov/20/the-great-carbon-divide-climate-chasm-rich-poor>

<sup>46</sup><https://tribune.com.pk/story/2473144/for-fourth-time-govt-stalls-solar-panel-policy>

<sup>47</sup>Read Ali Tauqeer Sheikh's insightful analysis on Dubai Leaks here: <https://www.dawn.com/news/1835169/climate-action-as-equity>

The economic self-interests derive continued support for fossil fuel exploration and extraction. This reflects gross ethical failing, where personal profit is prioritized over collective good of humanity and planet.

Progressive policies such as carbon taxes or strict emission regulations are portrayed as economically detrimental by elite interest. This resistance is rooted in short term economic impacts these policies could have on industries dominated by the wealthy. For instance, carbon taxes could reduce profits for heavy industries and increase operational costs. The elites use their economic and political power to oppose such measures, prioritizing immediate financial gains over long term environmental sustainability.

The elites disproportionately contribute to climate change and a shift in priorities and values among the wealthy and powerful is required. The global and local polluter elites are often vocalize about the climate crisis. Some even use their wealth to fund climate research and innovation, supporting renewable energy projects and investing in green technologies, including electrical vehicles. Among them are advocates for green growth and climate capitalism. The Tipping Points, funded by Bezos Earth Fund, is calling for governance changes aimed at distributional and environmental equities to avoid reinforcing the historical injustices. However, these wealthy entrepreneurs aren't driving any substantial change or transitioning to a low carbon economy. The posturing is mainly to deflect criticism and often amounts to greenwashing.

What can be done to change this? IPCC Sixth Assessment Report (AR6) stresses on the need for equitable and inclusive climate action which centralize the climate justice and social justice concerns because the vulnerable communities, who have least contribution in driving the climate change, are disproportionately affected by it. World Inequality Lab's Climate Inequality Report 2023, recommends progressive taxation and establishing ecological welfare states<sup>48</sup>.

Scholars, activists and advocacy groups are arguing for multiple actions to tackle the inequalities which are at the heart of climate crisis. Thomas Picketty argues that social and economic issues must be centralized in tackling climate crisis. He called for introducing carbon tax and banning private jets.<sup>49</sup> Jason Hickel, Kate Raworth, Joan Martinez Alier and many others are calling for Degrowth<sup>50</sup>. The Guardian and Oxfam report called for imposing a 60% tax on the income of the world's wealthiest 1%, which can reduce 700-million-ton reduction in global emission. There are movements calling for introducing Polluters Pay principle.

The role of rich and wealthy individuals and countries in accelerating the climate change is significant. Their consumption patterns, political influence, and economic interests all contribute to the persistence and worsening of the climate crisis. Addressing this issue requires a dual approach: holding elites accountable for their outsized impact while also harnessing their resources and influence for positive change. The path forward demands more than superficial commitments; it calls for a radical rethinking of how power and resources are distributed and used. Only by transforming the actions and priorities of the world's most powerful can we hope to achieve meaningful progress in the fight against climate change. Any genuine change will require them to relinquish relentless pursuit of power, profit and wealth for greater public good.

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<sup>48</sup>Chancel, L., Bothe, P., Voituriez, T. (2023) Climate Inequality Report 2023, World Inequality Lab Study 2023/1

<sup>49</sup><https://www.theguardian.com/environment/2023/nov/22/ban-private-jets-to-address-climate-crisis-says-thomas-picketty>

<sup>50</sup><https://degrowth.info/en>



# SOCIALISM FOR THE RICH AND CAPITALISM FOR THE POOR

**Rehmat Alam**

We live in a world where class differences create a stark divide between the wealthy and the working class. This divide can be seen in neighborhoods: affluent areas are characterized by abundance and power, while working-class neighborhoods suffer from neglect and disposability. This separation is particularly evident in young people growing up in less privileged areas. As these two worlds drift further apart, the consequences for social cohesion are disastrous. The growing disparity not only undermines social stability but also threatens the very fabric of democracy.

The concept of "socialism for the rich and capitalism for the poor" isn't new. It's a term that has been used to describe policies that protect the wealthy while exposing the poor to the harsh realities of the free market. This phrase underscores a system where the rich receive bailouts, subsidies, and tax breaks, while the poor face cuts to social services, higher taxes relative to income, and a lack of safety nets. In Pakistan, this favoritism is deeply embedded in the political and economic structures.

To understand the political economy of countries like Pakistan, we need to recognize two critical aspects that contribute to authoritarianism and the suffering of the populace. First, economic elites receive special privileges and substantial state support while passing the cost of their failed policies onto the general public. This phenomenon is often referred to as "socialism for the rich." Second, this system helps the country act as a rentier state within the global imperialist framework, driving its economy deeper into the clutches of international financial institutions through debt. Together, these dynamics not only push people into severe poverty but also hinder any democratic progress in politics.

A 2020 UNDP report highlights the severe inequality between Pakistan's elite and the general population. It reveals that a mere one percent of feudal families own over 22% of the farmland. Currently, the richest 0.2% of Pakistanis each own more than 400 acres. These feudal classes dominate politics, often occupying policy positions and granting themselves massive tax breaks on income and land revenue, along with subsidies on electricity, fertilizer, and water.

This results in an annual "gift" of RS 370 billion from the government. Similar incentives are provided to other sectors, such as the corporate sector (RS 724 billion), traders (RS 348 billion), and high-net-worth individuals (RS 386 billion). Annually, the elite benefit from up to 2.66 trillion rupees—four times more than the money allocated for social protection for the most marginalized in society. Meanwhile, ordinary citizens face significant hardships: 3.8 million people in Pakistan experience food insecurity, 40% of children have stunted growth, and 50% suffer from anemia due to malnutrition. (Rule By Fear, 2021)<sup>51</sup>

The militarization of society is a natural consequence of this divide, where the primary mode of interaction between the masses and the elite becomes dehumanizing violence. The growing gulf poses a challenge to social stability and democracy. The country's incorporation into the global imperialist system exacerbates this situation, pushing the economy further into the grip of international financial institutions through debt. This integration has further entrenched these inequalities. International financial institutions, such as the IMF, often impose conditions on loans that require austerity measures. These measures typically involve cutting public spending, privatizing state-owned enterprises, and liberalizing the economy. While these policies are meant to stabilize the economy and promote growth, they often result in increased poverty and inequality. The burden of these measures falls disproportionately on the poor, who lose access to essential services and face higher costs of living.

Dr. Miftah, a former finance minister of Pakistan, describes the country as a "One Percent Republic"—a society designed to benefit a few and perpetuate elite privileges. This perspective underscores the intimate connection between educational, political, and economic power within the state. The catchphrase "1% vs. the 99.9%" highlights the struggle against the billionaire class, which has hindered young people from achieving social mobility as they grapple with mounting debt and living expenses.

Liberalism for the rich has allowed Pakistan's elites to create separate communities, schools, public spaces, hospitals, and even languages. These efforts to isolate themselves from the rest of society make them leaders of the most successful separatist movement in the country's history. No ruling class willingly gives up its privileges out of a change of heart. While individuals may break ranks, a collective class suicide is unlikely. Only a new coalition powered by the forgotten and marginalized can challenge inequality and present a compelling vision for the future. Lessons can be learned from Latin America, where powerful coalitions have emerged to challenge elites and reject the US-imposed economic order. Leftist movements have won elections on anti-neoliberal platforms, including a schoolteacher in Peru, a student activist in Chile, and a union leader in Brazil, with Lula De Silva's recent return to power. These movements advocate for economic sovereignty, wealth redistribution, and reestablishing a relationship

between the state's developmental objectives and the private sector. (Ammar Ali Jan, The News, 2022)<sup>52</sup>

The disparity between the rich and the poor continues to grow, creating a society that is increasingly divided and unstable. The rich receive substantial benefits and support from the state, while the poor are left to struggle with poverty, food insecurity, and lack of access to necessities. To address these inequalities, a coalition of the marginalized must rise to challenge the status quo and push for a fairer distribution of wealth and resources. Only through such a movement can we hope to achieve social cohesion and democratic progress.



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<sup>51</sup>Hafiz A Pasha .2020. "The Three Ps of Inequality: Power, people, and policy ". Pakistan National Human Development Report. United Nations Development Program.

<sup>52</sup>The News, 2022:What-is-the-one-percent-republic.



# ELITE BARGAINS AND COMMONERS: Revisiting The Two Nation Theory in Pakistan

Zahanat Hussain

Elite dealing to exploit and benefit Pakistan's resources could be termed as "Elite Bargains". This prose explores the existing implications of the elite group and common public of Pakistan, focusing on the socio-economic divide in Pakistan. Elite groups negotiate power and resources for their benefit, often on the tax of the public. This article examines the resulting contradiction and the socio-political dynamics between the elite and commoners by offering a critical perspective on how these elites deal with and shape Pakistan and illustrating the enduring relevance of the two-nation theory in understanding the country's internal divisions.

Elite Groups in Pakistan manifest in five primary shapes; the judiciary, business, military, bureaucracy, and politics. Influence of colonialism in Pakistan, where the only visible change lies in the complexion of the ruling class. It is quite true that Pakistan has been ruled by only a few dynasties.

Rosita Armytage stated in her book "Big Capital in an Unequal World" that in Pakistan the elite class earns around 100 million dollars per annum (Armytage, 2020). In an exclusive interview with Al Jazeera, UNDP's Assistant Secretary-General Kini Wiganaraja said: The Elite privilege consumes US\$ 17.4 billion of Pakistan's economy and the country's corporate sector was the biggest beneficiary of privileges like tax breaks, cheap inputs, higher output prices, and preferential access to capital, land, and services, receiving about \$4.7 billion, according to the report. The second and third-largest beneficiaries were the richest 1 per cent of

the population, who collectively own 9 per cent of the country's total income (Hashim, 2021).

## EIGHT KINDS OF THE ELITES:

Elites wield and enjoy the power and share in their circle. There are two types of elites in Pakistan explained by (Haque & Zulfiqar, 2024) for instance the meritocracy and gatekeeping elite.

**Meritocratic elite:** attains elite status through their merit, talent, and achievements rather than through inherited privilege or social connections. People rise to top positions based on hard work, skills, education, and contributions to society like successful entrepreneurs, accomplished professionals, talented artists or athletes, and top academics or researchers but unfortunately, they distribute wealth, opportunities, social acknowledgment, honour, and power in their circle.

**Gatekeeping elite:** consists of individuals/institutions that control access to resources, opportunities, or power in society. They influence who can reach positions of authority by setting the criteria for inclusion or exclusion. Examples include political party leaders who control nominations and endorsements.

**Nosarbaz Elite:** a person or group who is involved in fraud, deceit, crafty, and uses clever but dishonest tactics to achieve their goals (Akram, 2023). Elite capture restricts the governance system, promotes social

inequality, and impedes inclusive developments (Daron & Robinson, 2013).

**Legacy Elite:** Elites are characterized by wealth, fame, and talent and they can hold it for long and sustained for generations this enduring ability to maintain power and influence also comes under the category of an elite class.

**Contractors Elite:** The elite often includes contractors from Islamabad and elsewhere who receive government contracts and receive substantial payments. They apply significant percentages to these projects and pocket huge sums without any accountability, as the system is also controlled by elites (Haque, 2023).

**Financial Powerbrokers:** According to the partner SR law, Saad Rasool: the elite in a democratic constitutional structure is one where individuals gain power and have influence in the local constituency by investing 20 to 50 million rupees in their constituency to become Members of the National Assembly (MNA) or keeps money to has the financial resources. This concentration of decision-making power isolates the elite group from the general populace.

**Administrative Elites:** one who does not have the formal power and more wealth but access to resources and influence including Superintendence of Police (SP) or District Commissioners (DC), they can file someone and dismiss FIR /any case of their own and take actions that the public cannot.

**Patronage Elite:** perhaps the most dangerous and worst type of elite, not only hollows and undermines society but even erases the ray of hope of the youth. They do this by posting someone from friends or relatives without ringing a post somewhere where he is entirely unqualified, not eligible, and irrelevant to the field or ministry, thereby eroding the merit system and fairness.

## CONCEPT AND HISTORY OF ELITES

The concept of aristocracy was created by the rich to exploit the poor and maintain their status. The power of the state is not with the government but with the rich. According to Karl Marx, it is the efforts of the poor people and the labourers that derive the country's prosperity.

Even the concept of family, introduced by the rich, was designed to ensure that land, wealth, and assets remained under their control, thus preserving their power and the survival of capitalism. This structure

prevented the redistribution of wealth to the poor. The same is the situation in Pakistan; the elite do not move from the equilibrium point and are not ready to sit down for negotiations with the public. As a result, few families are enjoying and making more and more for their families, and the poor are becoming poorer.

According to George Hegel, initially, everyone had the right to money, but little by little few people retained that right to wealth. To support this, Hegel Marx defines six stages of primitive communism. In early human societies, when people lived in groups for protection from wild animals, tools and implements served as currency, accessible to everyone. During this time society functioned on the principles of collective ownership and common rights. In slave society, a few groups owned the tools, equipment, and land used for forming, while most of the people were enslaved and forced to work on land. In the feudalism system where the gap between poor and rich started getting deeper as the land belonged to someone and working by someone else the concept of communism was almost finished. In capitalism, money came into the hands of traders where machines belonged to traders and hard work by laborers. The gap became deeper and deeper in the first four stages. One day this gap will be so big and deeper that all the laborers will unite and there will be a big revolution.

Communism will come again, and the workers will rule the whole world because the number of workers will increase, and a revolution will happen. Money will be snatched from the elite and taxes will be distributed equally. Marx's famous slogan is time for the "workers of the world to unite" and destroy capitalism. In the last stage of Stateless communism where communism will be maintained, everyone will come together and work. No concept of the poor and rich will exist.

## CAN WE SURVIVE WITHOUT AN ELITE?

Elite exists in most countries like the United States, England, India, etc. No country wants to bring the elite to zero level, but we must reduce it from 100% as there are only four hundred families in parliament and someone from the public cannot reach that position.

The dynamics of today's era are different. From 1980 onwards rest of the countries were controlling their problems, and problems in Pakistan increased, the elite prospered, educational institutions got worse, PIA and Railways were bankrupted, and the poor could not fight elections.

When a system ignores merit, institutions remain weak and biased. People in power give favors, seats and opportunities to their friends, relatives and close associates, allowing them to gain unfair advantages. It is just not the business class even though this is normal in every department and ministry. Clearly shows that the state is financing underperformance, wealth accumulation, inequity, denial of opportunities, under-development, under-employment, and finally global marginalization which is detrimental to an economy and manifests in the form of limited access to the resources/opportunities and decision-making process.

Pakistan's six big conglomerates are under the five kinds of elites as mentioned above and some of them have US\$ 6 billion assets. 90 per cent of the sugar industry owners are politicians, and licenses, loans, and land are subsidized even subsidies on exports are beneficial and we again import sugar and provide it to the public at high prices (Bibi, 2023).

People are coming rapidly under the poverty line, the unemployment rate for 2022 is 5.6 % with a 0.75 % decline from 2021, industry sectors are declining, government agencies are not growing, and joining elections is purely on a financial base.

When a small elite group controls economic resources and political power, it often leads to widespread corruption, favouritism, and exclusion of marginalized groups. The current situation in Pakistan we are facing these days like declining growth rate, low export & high imports, affordability issues, and political instability, is because of elites. Although we criticize the elite and their illegal and immoral practices, many people secretly long to join their ranks.

Breaking this cycle requires confronting our own psychological biases. Our nation must regain the consciousness necessary to free itself from the tyranny of the elites. Generational change has been shown in Pakistan if we focus on the followers of our politicians as more of our youth do not want politicians of the 80s and 90s anymore.

- So, there is a need for quick reforms and ideas to influence the politicians and government to save the public from dragging further.
- Pakistan should not repeat the same things repeatedly to get different results.
- There is a need for political reforms which require the coordination of politics and society.
- Need for an effective local government system otherwise, politics will be unconfirmed, and the elite families will maintain their status.

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# ELITE CAPTURE IN SPORTS

Fizzah Khalid Butt

Pakistan is a country with immense raw and unpolished talent; some of the talent gets a chance to get polished and bloom and the other goes to waste. One of the reasons for all this is the elite capture. Elite capture is the claim of a powerful few over the resources that could be used for the benefit of the masses. Elite capture is a visible phenomenon in developing countries and has impacted the performance of many sectors through corruption or nepotism; sadly, sports is one of them. Sports is something a nation's pride is associated with and sports are skill-based but nepotism in sports has finished the careers of many skillful players and ended Pakistan's representation at many sports events.

Over 15 sports are being played in Pakistan including both team games and individual games. Pakistan has produced big names in Cricket, Hockey, and squash internationally whereas many individual players come up in the limelight once in a while by achieving something huge. Over time the number of heroes is decreasing due to the low level of fitness and unavailability of facilities for the larger population. These are not mere words but we have examples around that show us this.

The national sport of Pakistan until today is hockey but where is it now? Pakistan hasn't played any major tournament world tournament since 2013. Pakistan used to be the direct entrant of World Cups and the Olympics but over time it miserably failed at the qualifiers and it needs to look at what is happening. Squash is another sport where Pakistan has reigned for years but currently the top Pakistani squash player stands at 75th rank in the world squash ranking. In athletics other than Arshad Nadeem (Javelin throw) none of the athletes have shown worthy performances. Most are just improving their national levels which is way beyond the international level. This is a sad state of affairs. Cricket is the most popular sport in Pakistan and in the past few years, cricket has been established and promoted so well that it has become an elite sport, and the country's passion for it has taken away from other sports.

Is there a problem in a sport becoming elite and driving people towards it? The answer is No until the powerful few take over and start introducing nepotism. The powerful few or the elites of cricket of Pakistan are indeed the ones who have given enough to the sport

and have earned respect but the future is in danger when the merit is ignored due to the harsh reality of group-ism. Lack of talent isn't an issue in any of the mentioned sports but the availability of facilities, coaches, and resources plays a part. Seldom players from humble backgrounds achieve anything without government support.

Let's see the cases where elite capture has impacted the progress of the overall growth of a sport. Only a few knew about Arshad Nadeem before his Commonwealth Gold medal, the reasons are known, the less importance associated with the sport. Most grounds in the country are not available for the practice of sports and the private grounds charge a huge sum of amount that is usually not bearable for humble backgrounds. In the case of hockey, the elites of the sport when came to selection started picking up their family and friends and rated them above the talent and the result was suffering of the sport.

I'll build a case on Cricket which has become the "elite sport" of the country, because of its popularity among people and the craze of the nation associated with it. Every single day children are seen playing cricket in the streets and parks. Cricket is also the most paying sport in the country as well. It has been successful in getting the best of the sponsors both for domestic and international level which isn't the case for other sports. All these factors have added more expectations regarding cricket in the people generally and youngsters specifically who aim to make this sport their career. But alas, the recent defeats in the ODI and T20 World Cups have shown how merit has been compromised and undeserving people were given a chance in the squad just because they were related or were friends with the elites of the sport. Those undeserving were defended by giving multiple excuses specifically that they were talented. They must be talented, but what about the more talented lot who may belong to humble backgrounds, or the ones who lack the right kind of contact, the ones whose talent needs polishing but are not given preference? Having few talented people won't help in achieving class. Pakistan Sports League has brought many talented people in limelight but very minimal and mediocrity is at its peak. Currently, mediocre players are training mediocre players, if there is a talented player he will start lagging when he sees undeserving people given chances. India is world-class in most sports because of their meritocracy, other neighbors Afghanistan and Bangladesh are doing great in sports just because they prefer merit. Pakistan can achieve that by making efforts to raise the standard of domestic sports and preferring merit over connections.

The elites of any sport in Pakistan won't teach the leadership to the chosen leaders (captains), they won't train the upcoming generations for excellence and management. The groupings have ruined the teams in the past and that will be continued in the future. The elites of the sports are always responsible for the future of the sports but in Pakistan, corruption has won and they have failed to give it back to the country. Like any

other sector, elite capture not only ignores merit but also contributes to corruption in sports as well, both monetary and moral. Compromising on merit has already made most of the sports hit rock-bottom and if it continues we'll be a state without sports.



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# ËCONFEST

25<sup>th</sup> May, 2024 - 26<sup>th</sup> May, 2024

Gandhara Citizens' Club, F-9 Park, Islamabad



Youtube Link - Sessions EconFest 3

<https://www.youtube.com/playlist?list=PLeUUEHDk2aqbHP0qb2t9cWj7lgO4fOH6K>



# ISLAAH FOR PUBLIC ADMINISTRATION

Maida Ayyaz

The Pakistan Institute of Development Economics (PIDE) held its third EconFest in Islamabad, featuring a panel discussion focusing on the topic of "Improving Public Administration."

Public administration is fundamentally managing public programs and policies to ensure their effective execution for society's benefit. In Pakistan, the administrative system has its roots in two centuries of British rule, which significantly altered its structure to serve colonial purposes. During the British era, the East India Company which was a trading company and had its board of governors exerted control in a manner that kept local residents subdued and disengaged from their desires. This allowed the British to exploit national assets and land without significant resistance. The flaws and strengths of the current administration in

Pakistan are inherited from the colonial era. The country's administration and civil services suffer from the incompetence of politicians and bureaucracy, an unfair recruitment system, and a lack of comprehensive accountability, all of which have hindered efficient service delivery to the public.

When talking about civil services and public administration in Pakistan, few questions always come to mind.

**Why is a career in civil service a lifetime commitment?**

In Pakistan when any civil service is employed, it serves its relative department for many decades. This is a custom that has prevailed in the country since forever. There's no need for Civil Services jobs to be permanent but rather based on yearly contracts that can be renewed

periodically. There is no justification for a government-employed person to remain in his position for 3 to 4 decades. For instance, if a teacher is hired in civil service today, after 40-50 years, they will likely have the same skill set they started with. Therefore, either find a way to phase them out or provide continuous training to ensure their skills meet current requirements and needs.

### **What is the job description of civil services?**

Civil service job descriptions also encompass aspects like understanding government objectives, identifying necessary reforms, and implementing policies in society. Previously, civil officials or bureaucrats were dedicated to their roles, contributing significantly to building infrastructure and policies for betterment of society. However, today, it appears that civil service bureaucrats are more focused on serving politicians, excelling in this role instead. Every department should have a detailed job description for civil service roles, clearly outlining the objectives, responsibilities, and expected contributions to governmental goals and societal reforms. This ensures accountability and alignment with departmental and national priorities. By doing so, civil servants can be more effectively evaluated and directed towards meaningful and productive work.

### **What is the role of Parliament in public administration?**

The parliament can play a major role in public services by engaging in quality discussions about necessary issues that need to be solved in society. In the absence of a functioning parliament, politicians contest for seats primarily to secure ministerial positions and appoint bureaucrats of their choice. This is what is happening in Pakistan. There is a lack of political determination to introduce reform agendas aimed at enhancing public administration or making the private sector more appealing to stimulate job growth.

### **What are the much needed reforms to restructure public administration?**

This system of grades in civil services has not been working anymore for decades now. This needs to be changed. On federal level, provincial level, and departments within institutions need to have their own pay grade.

Jobholders cannot all be compensated on the same scale due to the vastly different job requirements for each role. Civil service positions vary greatly in terms of skills, expertise, and responsibilities. Pay scales should be adjusted to reflect these differences, ensuring fair compensation based on the complexity and demands of each job. Incentives for employees should differ based on their productivity. Those who do not work should only receive their basic pay without any additional perks until retirement. If an employee is not working or there is no work available, they should stay at home. Former Provincial Minister for Finance and Health, KP, stated that **employees earn not from their salaries, but by**

**simply showing up at the office. If they stayed home, they would face financial loss.**

Accountability among civil service employees is crucial for expertise and transparency in government. A survey of Pakistan's public administration highlights the focus on departmental inquiries for accountability, but systemic corruption significantly hampers effective management. Recruiting skilled and qualified individuals is essential, yet the system's long standing failure to deliver results highlights the dire state of public administration. Thus, restructuring civil service reforms is necessary to enhance outcomes and credibility in public services.

The Central Superior Services (CSS) Exam, administered by the Federal Public Service Commission, is the entry point for grade 17 government positions, offering various perks and privileges. This civil exam enrolls a studious student well-versed in bureaucratic matters, intending for them to contribute towards policymaking and the country's development. However, they often veer towards personal interests and upholding the status quo, rather than prioritising the welfare of the people. However, many bureaucrats prioritise elite status over the job's responsibilities. Also, there's only a few candidates out of thousands securing positions due to limited availability, there is a need to either eliminate the exam or thoroughly reform its criteria.

Pensions constitute a significant portion of political capital, funded by the taxpayers of the country. There is a need for restructuring reforms related to pensions. We must find a way to provide compensation that does not overburden taxpayers while still supporting retired employees.

In Pakistan, the civil service is viewed as the key part of the administrative system, reflecting the country's management and organisational structure. Although public pressure has led to occasional amendments, the overall structure, performance methods, and procedures of the civil services and administration have largely remained unchanged. The main reform should aim to transform the rigid and oversized bureaucracy into a more citizen-friendly, responsive, and efficient civil service. Culture is also a crucial factor in restructuring the current system because new changes often face resistance. In Pakistan, there is a culture of rent-seeking, corruption, and traditional work practices that must change for institutions and public services to function properly.

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# TIME TO DEREGULATE



## Anjeela Khurram

Regulating authorities across the globe are meant to facilitate the smooth sail of their organizational activities, facilitating investment and innovation. To understand the nature of the regulatory authorities functional in Pakistan, it is pertinent to realize the fact that in Pakistan, people take the word “authority” too literally. Semantics play a very significant role in Pakistan, like if the word is attached to an organization, it means to have an “absolute control”. Therefore, the regulatory authorities are prone to exercise their rules to create friction for retardation, making tasks and business burdensome. The regulators, in general, believe that their job is to put barriers. In the case of Pakistan, we are over regulated. As per PIDE Sludge Audits, there are “122” regulatory authorities at federal level. Pakistan is one of the federation states in the world, with three (03) tiers of regulations (federal, provincial and local), having overlapping of various regulations. This layering of regulatory authorities becomes liability accounting for 39% of GDP as the cost of regulations. The presence of regulatory authorities is not an issue, rather their presence in a “control obsessed society” like ours have posed grave consequences. Besides, over-regulations, chain of beneficiaries is a somber factor making people to prefer working in some public sector than to run their own businesses. Each desk in the hierarchy has its own price in the name of the regulation costs. In Pakistan, the regulations are taken as “revenues resources”. That’s why regulatory authorities are too reluctant to be digitized for transparency and good governance.

Likewise, the government’s footprint through its direct interventions amounts to more than 67% of the GDP. Therefore, the over-regulations and government footprints are two of the major barriers to investment and innovation. Rent-seeking and retarding the market development are the products of barriers imposed by the regulatory authorities in terms of permit processes, licensing requirements, environmental regulations, documents attestation etc. Various regulations are paper-based, requiring the official permissions. This makes the process time consuming and opens venues for bribes. Some organizations have worked to reduce regulations to improve the “ease of doing business”. They have either reduced the regulations, or have established one window to deal with minimum delay.

Besides, the presence of multiple regulatory authorities for the same sector results in overlapping. For instance, for clearance and approval of the imported fuel, Pakistan Standards and Quality Control Authority (PSQCA) and Petroleum regulatory authority both pay separately for the test of the samples to the same laboratory. This overlapping adds up to the cost of the same commodity/service owing to over-regulations. Likewise, the cabinet committee on state owned enterprises (CCoSOEs) and cabinet committee on Privatization (CCoP) serve the same purpose. The presence of multiple ministries and regulatory authorities for the same domain shows the bad governance system in Pakistan, where the political interests are served at the

cost of national interests.

For a smooth sail, the need is to reform the governance mechanisms of these regulatory authorities. In the face of current over regulated system, even the advocacy to have a laissez faire model cannot be beneficial in Pakistani context, since we already have various cartels and monopolies in sugar, textile, steel and other businesses. This un-reined approach can create chaos in the market. The need is to strike a balance between laissez faire and over-regulated authority structures to enhance an efficient and effective milieu for doing business in Pakistan. Admittedly, there should be some regulation domains like security, health, safety and environment. But for doing business, the need is to ease the market by lessening the government footprints in the market. We can learn from the world around how some countries facing the same issues like ours have addressed these problems. For example, in the 1990s India was struck by very slow growth. The academia, researchers and the relevant stakeholders realized the need to end the “license raj” and ended up in the demolition of thousands of unnecessary purposeless regulations. The need to modernize the regulatory mechanisms is also the hue of the day.

One main reason for over regulations in Pakistan can be attributed to the disregard towards the local-thought industry. No one heeds to the concerns raised by the local research for local issues, for instance, as proposed by PIDE. There is no mentor for the local thought industry in Pakistan. Reliance on foreign technical assistance in local policy making is the offspring of the foreign aid, since it is believed that Pakistan has no such capacity. Think tanks, academia, and researchers are not interested in generating a debate to improve the conditions for economic growth. However, PIDE is among one of the institutes that has been trying to generate this debate to draw the attention of the stakeholders towards the significance of local research to solve the indigenous problems.

An effective tool to ensure that adoption of only necessary regulations is Regulation Impact Evaluation”. The concept has been introduced only at the “training” level in Pakistan. It has not been operationalized so far. The international practice is that the countries have organizations like the Office of Regulatory Affairs (ORA) in the USA to evaluate the need, implementation and the impact of any regulation before its approval. While, there is no regulation management system in Pakistan. The need is to revive the bureaucracy system, once established to serve the legacy of the British colonial system. Now it is the time for civil service reforms. After induction, the bureaucrats should be trained to get specializations. So that they should compete to show their capacity for promotions and afterwards to serve a sector more efficiently. The culture of “jack of all, master of none” can work no more, if we really want to ensure a stable economic growth in Pakistan. Similarly, the induction in regulatory authorities should be merit

based; nor only specified for the retired bureaucrats or forces personnels. Key performance indicators should be in place to evaluate the performance of a regulatory authority. Inertia on the part of the regulators also makes them resistant to change in the governance mechanism. They don't want to leave their comfort zone to modernize the regulations for national interests.

There do exists some examples that have succeeded to minimize red-tapism to a greater extent, like, establishment of “Pakistan Single Window” by the Board of Investment (BOI) for facilitating the international business environment in Pakistan. Pakistan Trade facilitation Score is 71% in 2023, showing an improvement from 57% in 2021. Establishment of one window and one stop service center shows how minimizing undue regulations can attract trade and investment to a country.

In short, the absence of rule based regulatory mechanism in Pakistan has created tedium in the system. In Pakistan, there is no such practice of rule-based regulations. PIDE proposes to allow rule-based and competitive regulations, where the beneficiaries could get maximum benefits. Rule based regulations can be implemented effectively through a monitoring mechanism. PIDE has been putting its endeavors to generate a nationwide debate on reforms as manifested in PIDE Reform Agenda. Similarly, PIDE's previous study on effective protection has been translated into the review of the taxation structure, showing PIDE's role in evidence-based policy making. PIDE is not only the proponent of reforms, but tries its best to translate its agenda to be voiced nationwide.

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# BUILDING WEALTH THROUGH INVESTMENTS

## Amena Urooj & Saud Ahmed Khan

Investment is a powerful tool for building wealth over time, but steering through the complex world of investments can be daunting. When masses consider investment as a mean of wealth creation, the investment opportunities to them include stocks and shares, mutual funds, gold, family business, real estate (plot files), and crypto currency, a focus area for investments lately. Usually social media, newspapers, friends, family, websites form the sources of information about investment opportunities.

Understanding different types of investment products, such as stocks, bonds, and alternative assets, is crucial for making decisions that align with an investor's financial goals. With the increased participation of individual investors in the stock market in recent years, the investment behavior of the individual investors has gained the attention of other stakeholders. The increased participation of individual investors is due to the unprecedented higher asset returns on investments giving opportunity of "making money work", high liquidity of financial instruments and accessibility of a variety of financial assets to individual investors according to their objectives of investment. On the other hand, the wide range of financial assets and services offered by the financial market and lack of information about them has made it more complex and difficult for individual investors to make investment rationally.

The rational investment decision-making process requires complete information regarding investment, rational thinking and proper analysis of information associated with investment. Liquidity, price discovery, time horizon and protection in terms of title are important in making investment decisions. Business cycles (involved in all businesses) are also important to know about when investing in the stock market, real market and other capital markets. Generally, the investor requires perseverance and return both. Individual investors articulate their investment behavior based on projected investment outcomes, expected risks and risk-taking attitude, gains in their investment, social

interaction, emotions, religious faith and financial knowledge. Mostly individual investors are risk-averse and fail to make rational investment decisions due to other influences and confusion about their investment goals.

Information and awareness about investment possibilities could be the most important factor shaping the behavior of individual investors. The risk-taking attitude of individual investors play a fundamental role in their stock market investment intentions. The role of financial knowledge in the development of investment behavior to invest in stocks is crucial. In the stock market, the first principle for a potential investor is to have awareness about tools that is called financial literacy. Over recent years, the need for financial skills has intensified. The development of new financial products through fintech, the complexity of financial markets, and changes in political, sociodemographic, and economic factors, among other influences, have highlighted the importance of improving financial literacy. Furthermore, numerous international aid projects now include elements of personal financial education as part of their efforts to enhance economic prosperity. Developing countries, already facing challenges regarding economic growth and development, poverty alleviation, expansion of financial systems, and financial services, also find it difficult to offer more accessible financial products to individual investors. Financial literacy is a significant determinant of building wealth, improved productivity, and pension investment decisions as it helps individuals to plan their spending and savings. Therefore, financial literacy is an important attribute not only to enhance personal wealth, but also to improve the stability of a nation. According to a recent survey report of the Global Financial Literacy Excellence Center, financial literacy rates differ enormously between the major advanced countries and emerging economies in the world. The financial literacy in Pakistan is about 26% in comparison of 70% approx. in developed countries. Within South Asia, Pakistan is the third ranked country in

terms of low financial literacy scores where the lowest scoring country is Nepal. As financial literacy significantly contributes to more diverse portfolio, the increasing demand for finance in the industrial sector justifies the need for financial literacy in a developing country like Pakistan.

The capital markets and the stock market have two main segments; one is the primary market where new companies come and offer their shares. The second segment is the secondary market where investors can buy shares of companies that are already listed. Both markets are closely linked; primary markets are like vibrant secondary markets. In Pakistan, we have three important institutions in the infrastructure of capital market: Pakistan Stock Exchange, SECPL and CDC which work under the Supervision of Securities Exchange Commission of Pakistan. These ensure safe investments, making few to none chances of fraud or human intervention as custody, transactions, settlements are happening through electronic systems.

Various kinds of Instruments are listed in the stock market including stocks representing ownership shares in a company, Bonds that are debt securities issued by governments, municipalities, or corporations to raise capital. Bonds are safer investments than stocks as they offer fixed income and are less susceptible to market fluctuations but provide lower returns. Mutual Funds and Exchange-Traded Funds (ETFs) pool money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other assets. Alternative assets encompass a wide range of investments, such as real estate, commodities, private equity, and hedge funds. Amongst various kinds of Instruments listed in the stock market, stocks and shares are popular. Stocks have given the highest risk return ratio among any asset Class but require experience (atleast 3-4 years). Investment in Sukuk, government debt securities, and IPOs through the stock market are also some options with low risk. Crypto has a bad record for risk. Before crypto, the biggest interest was in real estate. Many products related to real estate are listed on the stock market called REIT where 20% or more return is expected and is comparatively safer too. One can start by investing in stocks or in fixed interest, but a completely new investor with a very small amount of investment should come through mutual funds. Most individual investors enter the market through mutual funds or through ETFs (exchange traded funds), which are now nine listed in Pakistan's market.

Pakistan Stock Exchange established in 1947, initially worked as 'Karachi Stock Exchange'. Later on, Lahore stock exchange was established in 1970 and in 1989 Islamabad Stock Exchange was established. The three exchanges integrated their operations in 2016, through the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 promulgated by the Government of Pakistan, under the new name 'Pakistan Stock Exchange Limited' (PSX).

PSX has more than 500 listed companies distributed amongst more than 35 sectors and 11 Indices. Part of the PSX ecosystem is the CDC (Central Depository Company) through which delivery of shares takes place, and NCCPL (National Clearing Company of Pakistan Limited) through which settlement of shares takes place. Potential Investors are advised to contact a TREC (Trading Right Entitlement Certificate) holder/licensed brokerage firm for their account opening and trading on the Stock Exchange. PSX prefers investments according to Islamic Sharia principles. Half of the listed companies on the stock exchange and the market capitalization, ETFs (Exchange Traded Funds), mutual funds are Sharia Compliant. PSX has been recognized as one of the best Islamic mutual stock markets in the world.

The Securities and Exchange Commission of Pakistan (SECP) formulated under Securities and Exchange Commission of Pakistan (SECP) Act in 1997. It has investigative and enforcement powers with the mandate to regulate corporate sector and capital market, regulation and supervision of insurance companies among several other powers. The role of SECP as a major regulator is to create awareness among potential investors. In this regard financial planning in terms of financial investment form and mechanism comes as the first task for SECP. Like the focus of new investors toward crypto is due to the technological shift in form of awareness and knowledge about it through social media. The second important thing is how quickly the investors can act. Using the conventional ways of opening a bank account are outdated as no potential investor has that much time to waste. Now this can be done instantaneously by visiting websites or online links and then start trading. SECP along with CDC, NCCP, LSCS have created a centralized gateway portal, under which once the investor, by opening a single account, can invest in mutual funds or invest in an IPO or invest in insurance or in brokerage etc. just by getting onboarding using the e-portal. Even having all these tools available, there is need for awareness. There is a noted lack of awareness among potential investors in Pakistan about these tools although they have access to other legal / illegal assets in terms of financial Literacy and awareness. SECP's prime role as apex regulator is to deal with the issues related to the assets available for investment, their proper disclosure, clearance of companies where investments are to be made, clearance of the books of their accounts in form of proper auditing, frauds, misstatement, and any withheld information. So SECP's focus is on investor's protection in form of financial literacy, on boarding, investor protection. In addition, SECP looks after the corporate democracy in form of observation of board formations and participation in elections, facilitation for annual general meeting and shareholders meeting by using technology for remote shareholders in form of e-voting and its awareness. This enables the protection of rights of minority shareholders in Family-owned companies to keep balanced development and growth of companies in public interest. It is important to use the legal forums which are licensed by SECP.

One of the very important institutions of the Capital market is National Clearing Company, which provides clearing and settlement services. It settles whatever is traded in the stock exchange. Its major function is to manage and reduce risk, play the role of CCP in every trade that happens, capital gains tax and a role in online account opening facility through its website. When people buy and sell shares then that transaction takes place in Stock Exchange managed by Pakistan Stock Exchange. The settlement of the shares is done in that department called NCCPL but the purchased shares are kept with Central Depository Company as custodian. As the world kept moving towards digitization, need was felt that share transaction should be done in electronic form, so for this in 1997, the Government of Pakistan passed a Central Depository Act under which the Central Depository Company came into existence. The main purpose of the Central Depository is to provide custody of the physical form of shares in electronic form. All traded securities need to be eligible under the CDS system in the central depository company which has the rules and regulations for eligibility of that security. If it is a public listed company, then it will be available in the stock exchange as tradable. For investment in the stock market, the first step is to identify the broker, as they provide facility to make purchases in stock market. After purchasing e.g a security, to become its owner, CDC (Central Deposit System) provides account opening facility. That is, whoever wants to purchase shares must park those shares in his CDC account. CDC accounts are mainly of two types, one is direct. Whenever you are opening an account with a broker then you must be opening that CDC account there. Whenever you purchase shares through that broker then your trading mechanism ecosystem of the stock exchange will be marked on the backend and the shares you have purchased will automatically come and park in your CDC investor account. At the time of selection of broker, investor should verify that whether he is registered with the CDC and an eligible broker of the stock exchange, only then make investment. On account opening, the broker must provide the investor with a CDC account number only then the shares will come and park in that account within the transaction plus two days. After purchase of shares, the National Clearing System does a clearing. To mitigate this risk of verification of trade done, firstly the National Clearing System has alerts in the system. Secondly, to verify whether the shares purchased in your CTC account are available or not, CD access facility for investors has been provided through CDC account. Investors can access their account anytime round the clock by going to our CDC access.com and register and can verify whether the shares purchased are available in the account or not. When shares are transferred from CDC account, an email and

SMS alert about the number of shares/ securities transferred is sent to investor. Investors usually maintain their CDC accounts with brokers as a mandatory; however, to secure the custody of their shares, CDC allows accounts in the form of CDC investor account. This facility allows investor to move the shares parked with CDC broker in CDC sub account to CDC investor account for their direct access where no broker can access. The value of securities in the CDS system at present is around 7 trillion. CDS system since its formation, 25 years ago, has not faced a single erroneous transaction, or cyberattacks due to strong IT structure and use of firewall.

CDC is also a trustee custodian of almost all (value of approx. Rs. 3trillion) the mutual funds available in Pakistan capital market. For mutual fund investment, one option is to directly approach mutual fund while another product namely Imala portal connects the investor with the mutual funds. Through Imala web portal investors can directly invest in mutual funds. CDC works under the supervision of SCCP and make regulations after seeking approval from SCCP.

The focus areas of PSX, NCCPL, and CDC are identification of availability of products in form of their listings, form, and the risk attached to them. PSX, SCCP and NCP have worked to make easy provision. Online accounts, Roshan Digital accounts provide investment opportunities to overseas Pakistanis sitting anywhere in the world can open accounts in the stock market. People can go online and buy through brokers, almost 70-80 brokers offer online account opening now. In addition, to increase financial literacy, Pakistan stock exchange (PSX) website run regular and online courses guiding how to invest, making posts across social media tools, they also have a virtual portfolio game whereby taking real investment decisions to learn without making any investment. Regulators claim that our markets are very well governed.

It is a crucial life skill to learn how to save and invest. Moreover, it is important to start at an early age as a wider time horizon will give the ability to write out the risk. young investors enjoy better risk reward ratio. One should understand that every investment has some risk and the best way to manage is to diversify. The goal of the individual investor should be to have savings, then investments and some return on investment too but most important is that investment should also be secure.

Diversification is a fundamental principle of investment strategy that involves spreading the investments across different asset classes to reduce risk. By diversifying one's portfolio, one can mitigate the impact of individual

investment losses and improve the overall risk-adjusted return.

Additionally, maintaining an appropriate asset allocation based on one's risk tolerance, investment horizon, and financial objectives is essential for achieving long-term wealth accumulation while managing volatility.

## CONCLUSION

One should save and invest otherwise inflation would depreciate the money value.

Building wealth through investments requires careful consideration of various factors, including risk tolerance, investment objectives, and time horizon. By understanding the characteristics of different investment options, implementing a diversified portfolio strategy, and regularly reviewing and rebalancing investments, one can navigate the complexities of the financial markets and work towards achieving their financial goals. Opting diversified investment avenues help in managing risk at the maximum level. Consulting with a qualified financial advisor and gaining financial literacy can provide personalized guidance and help in making informed decisions tailored to your individual circumstances. Operating a Bank account and having a debt card doesn't reflect the depth and effectiveness of financial literacy.

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# ARE WE AFRAID OF EVALUATION?

Anjeela Khurram

The stable economies around the globe are well documented. While, in Pakistan, the culture of reluctance to documentation and subsequently to evaluation pervades. An evidence-based policy making is virtually non-existent in Pakistan. The reasons are multifarious. For a stable economic growth, it is inevitable that the economic and policy decision making should be an offspring of dependable and reliable evidence accrued from data.

In this vein, a discussion organized by PIDE attracts the attention of the audience with the dictum that “Data is a new oil”, which is valuable in its refined state. However, to invigorate the significance of data, data is rather considered as “the new soil”, having a capacity to sustain. Admittedly, the importance of data cannot be negated, provoking the thoughts that unlike oil, which once used becomes a liability to be discarded properly, data behaves like “soil”, providing a fertile medium to learn, experience and make good decisions. The data formation process is intrinsically positive, either it is the phase of learning experience, knowledge creation and accumulation or sharing. The inclusive use of data can eventually lead to sound decision making for the optimal use of resources to reap the benefits effectively. Generally, the public sector organizations use the data solely to justify the “need identification” for certain projects in education, infrastructure, health, security and other sectors.

The significance of data lies in the fact that data-based decision making renders the process transparent. In Pakistan, the institutions both public and private have no appetite for “transparency”, neither in their “results frameworks”, nor in their governance mechanism. The institutions in Pakistan are by default defiant to accountability and transparency.

PBS is an official federal agency of Pakistan, meant to collect, compile, analyze and disseminate the reliable data information. The availability of data by data-producers in Pakistan like PBS, NADRA, FBR has practical implications in policy making. PBS has conducted the first digitized census in 2023 in Pakistan, unlike the previously conducted pen-paper manual census. The use of digital technology in census makes the process transparent, enabling the relevant stakeholders to monitor the process, thus making census comparatively less controversial. It has the capacity to address the reservation of some provinces on the question of population size.

The availability of data does not ensure its use for policy making. Availability of reliable data can initiate good policy making, but this does not serve as an end itself. It is rather a starting post to achieve the objectives of the policy effectively. Planning done in the absence of data can hinder the achievement of excellence in national growth. How can data availability set the directions for bringing stability in Pakistan needs to be focused. For healthy economic and policy decision making, data availability should be ensured. For instance, data can help identify the actual match or mismatch between the demand and the supply sides to exactly identify the need. Similarly, the data from the census helps determine the budget share, the job quota, number of national and provincial assembly seats proportionally to the population size of the provinces. Moreover, demographic profiling can back good policy making regarding public investment decisions in many sectors. For example, the information about concentration of education level of a specific cohort of male or female students (demand side) can be snapped on the map against the number of schools (supply side) to identify the need for more investment.

To foster a culture of transparency, accountability ensuring good governance, the availability of digital data can be a starting point for the government (federal and provincial) to cultivate the results effectively and efficiently. To curtail the probability of corruption, the need is to make the stakeholders accountable to ensure transparency. One way can be to have some benchmarks embedded inherently in the policy backed by evidence to evaluate the process and its progress effectiveness. But the alarming situation is the absence of a “results framework”. The lack of transparency behind this escape can either be due to the non-availability of data or an inclination not to use the current data for personal gain. To add fuel to fire, the government lacks the deliberation to vet the credentials against data to make the stakeholders accountable. Non availability of data holds no one accountable, thus, escaping transparency. Therefore, the need is to put in place a “results framework” containing identified parameters to measure the outcomes of the publicly financed projects in the realm of health, education, etc. The same can be used to tag the governance mechanism of the established facilities on the geo map. Likewise, the digital census has enabled PBS to establish the first ever “Economic Frame” in Pakistan containing data on some 150 economic categories using a “bottom up approach”. This economic frame can enable policy makers to make policies backed by the evidence for growth in economic activities sectors like agriculture, livestock, etc. The estimation of provincial GDP is another prospect of PBS, since it is the need of the hour after the devolution act. To serve the purpose, the provinces will follow the standards set by System of National Accountability (SNA) and the provincial GDP will be aggregated by the federal PBS to avoid controversies. It is worth mentioning that PBS follows SNA 2008. Now SNA 2025 is in formative phases, which will change the landscape of data systems, making some data producers “stock”, while many would turn to be tributaries destined to flow their data to the stock. In this new landscape, next will be an era of data.

The use of data for evidence-based public policy is rare in public and private sectors. Generally, data is used to justify the need for investments in public sectors. The sectors are reluctant to provide data about the performance of their ongoing and completed projects for evaluation. Their corruption, nepotism, and personal interests are some of the factors counting for their fear of evaluations. Political interference and politicizing the issues are some other factors hindering the organization to share their information. This attitude has corroded the national institutions, making them corrupt and inefficient. This is an alarming situation. At this juncture, it is the responsibility of the academia and researchers to

explore the data to check the health of the prevalent policies for improvement. Policy makers should embrace constructive feedback to promote transparency.

In the end, this is apt to say that data dissemination is equivocally significant along with data collection and analysis. Data visualization can make findings accessible and comprehensible by the audience. For instance, PBS collects and publishes data in the form of voluminous reports with dozens of figures and tables, which are destined to be shelved. Data should be made available in interactive modes to be absorbed readily.

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## PIDEAS – III

Hall-III (Revive)

2:55 PM to 3:45 PM

### Is Agriculture the Future of Pakistan?

ABEDU... ANJUM, Chief of Research, PIDE

F... ALI, Research Fellow, PIDE

#### Energy Mess

... Research Economist, PIDE



# AGRICULTURE IS NOT THE FUTURE OF PAKISTAN

Sobia Rose

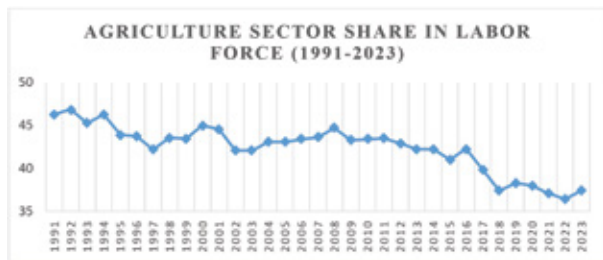
The argument that Pakistan is an agrarian economy is always reinforced by the agriculture sector's significant share in GDP, its role as the single largest exporter, the largest employer that includes a substantial proportion of female labor, and its contributions to the country's industrial sector by providing raw materials. However, the whole narrative is often presented with strong emotional appeal that overlooks the critical realities. The agriculture sector, while important, suffers from low productivity, technological lag, and vulnerability to climate change and water scarcity. Moreover, it offers limited value addition and is unable to provide the high-income jobs required for economic uplift. These facts and global economic evolution compels to think that to become a strong economy, Pakistan must shift its emphasis towards more technology-based sectors and

value-added industries by diversifying into sectors like manufacturing, information technology, and services which is imperative for sustainable growth and economic resilience.

At this point it is crucial to clearly understand the two dimensions i.e. importance of agriculture for food security and the role of the sector to achieve and sustain economic growth. While agriculture is vital for ensuring food security but, relying solely on it will not create a robust economy. These two arguments are often conflated, but they address different needs. Ensuring food security is essential, yet building a strong economy requires diversification beyond agriculture into sectors with higher growth potential. There are several

compelling reasons behind this argument that why relying on agriculture might not be a sustainable strategy for Pakistan's economic future. Let's dissect the current standing of the agriculture sector so that we can understand what are the challenges and limitations of linking Pakistan's future solely to the agriculture sector.

Although agriculture employs a significant portion of the population, yet it is often characterized by low wages and underemployment. Considering this fact diminishes the persuasiveness of the argument that agriculture sector is the primary employer of the country. As urbanization accelerates, there is a growing need for robust infrastructure and services. Investing in urban development, construction, and related industries can drive economic growth and meet the needs of a rapidly urbanizing population. We can see that with increasing urbanization, there is a clear shift towards the services and industrial sectors that offer better employment opportunities and higher wages. This trend is evident from data showing the agricultural workforce's decline from 46.3 percent in 1991 to 37.4 percent in 2023, with the most significant decrease occurring over the last decade. This shift towards the industrial sector aligns with historical patterns of economic development. Moreover, depending on agriculture for development lacks standing, given the fact that greater labor force engagement in agriculture is typically seen in developing nations, particularly across many regions in Africa, rather than in more economically developed countries.



According to PIDE, meeting the demands of the country's continuously expanding population requires the creation of 2 million job opportunities annually, a goal achievable only through sustaining a consistent growth rate of 8 percent. Relying on the volatile agricultural sector, which is heavily dependent on weather conditions, will not enable Pakistan to achieve this pace of growth. Therefore, the future economic growth of Pakistan hinges on investing in human capital, particularly in education, skills, technology, and research. Sectors such as technology, services, and manufacturing offer greater opportunities for skill development and higher economic returns.

Pakistan is already one of the countries most vulnerable to climate change; according to the long-term global climate risk index, Pakistan was the 8th most affected country during 2000-2019. As mentioned earlier agriculture is highly susceptible to climate change, unpredictable weather patterns, water scarcity, and natural disasters. The devastating floods in 2022 severely impacted a major area of kharif crops, resulting in significant economic losses. Thus, more reliance on agriculture makes country's economy vulnerable to these climate-related risks. The efforts exerted for the adaptation and to mitigate the impact of climate change are not sufficient in the current scenario of economic crises. Relying on agriculture makes the economy prone to sector-specific shocks and will not enable Pakistan to fulfill the dream of climbing the ladder of a sustainable economic growth.

Several other inherent limitations restrict the potential of the agriculture sector to drive Pakistan's future economic growth. Firstly, there is limited value addition and agro-processing, which means that raw agricultural products are not being transformed into higher-value goods that could generate more income. This limitation restricts the sector's ability to create high-paying jobs and contribute significantly to the economy. To achieve higher economic returns, it is imperative to focus on agro-processing and manufacturing. However, minimal efforts in this direction strengthen the argument that the future cannot be dependent on the current state of agriculture.



Secondly, poor infrastructure, including inadequate transportation, storage facilities, and supply chain logistics are making the situation worse. The sector suffers from poor, inadequate, and insufficient storage facilities, leading to significant post-harvest losses and reduced profitability. The losses linked to poor storage facilities in grain, fruits, and vegetables are about PKR 1013 billion. Improving this infrastructure requires substantial investment and time which seems less achievable in the current state when country's economy is trapped in high debt repayments

Thirdly, low productivity, driven by outdated farming techniques, lack of access to modern technology, and insufficient investment, further hampers the sector's growth potential. PIDE estimates that if the productivity of average farmers were raised to the level of progressive farmers, it could add PKR 1,722 billion to the economy. Additionally, the availability of certified seeds is another major issue; currently, Pakistan produces only 37 percent of the required certified seeds, that severely limits the potential for productivity gains.

Fourthly, the proponent who links future of Pakistan with agriculture often overlooks the fact that Pakistan's agricultural exports are not sufficient to offset its imports, leading to trade imbalances. For example currently, about USD 4.5 billion are spent to import only edible oil while our overall import burden is around USD 9 billion. Local production of certain high value products is almost impossible due to lack of infrastructure and technological expertise. That is the reason Pakistani agricultural products face tough competition in global markets from countries with more advanced agricultural sectors. Competing on price and quality requires significant improvements and investments, which are currently lacking. The trade in the sector is also less attractive for Pakistan as agricultural markets are subject to global price volatility, which can lead to economic instability.

In addition to this, the agriculture sector in Pakistan is heavily dependent on water from the Indus River system. With increasing water scarcity and inefficient irrigation methods, sustaining agricultural productivity will become increasingly challenging. Water pricing is imperative to move towards judicious use of already scarce resources but the absence of economic water pricing is making the situation worse and the complex structure of the water distribution system and lack of proper water market makes it almost impossible to implement water pricing structure in near future.

Despite agriculture's continuing vital role in Pakistan's economy, it cannot be considered the sole driver of future economic growth. Even to ensure food security, the agricultural sector requires immediate reforms to address its structural issues. However, for sustainable economic development and enhanced growth potential, it is crucial to embrace sectors with higher growth potential, technological innovation, value addition, and better rural-urban industrial integration.

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- Why Pakistani companies are so stunted? We have hardly any Billion Dollar Companies. Internationally Billion Dollar companies are SMEs. Can we grow without growing companies?
- Most of the companies are "seth companies." Pakistanis hate to professionalize their management. Similarly, they do not like to be listed on the stock exchange.

# ESSENTIAL STEPS FOR PAKISTANI COMPANIES TO COMPETE GLOBALLY

Farhat Mahmood

## WHY CAN'T PAKISTANI BUSINESSES COMPETE IN GLOBAL MARKETS?

The business sector of Pakistan keeps blaming the lack of support from government (poor regulatory framework, policy uncertainty and an overall economic Misgovernance), while government blames past government policies for all the inefficiency exist in the business industry of the country. As a consequence of this blame game, Pakistani based firms did not flourish globally.

This article will address following questions to highlight the factors that inhibits Pakistani firms to compete globally.

**Q.No. 1: Why Pakistani companies are so stunted? We have hardly any Billion Dollar Companies. Internationally Billion Dollar companies are SMEs. Can we grow without growing companies?**

The major reasons behind stunted growth of Pakistani companies include:

- The monopoly control authorities (MCA) and Pakistan competition commission (PCC) are not very much effective.
- Profit margins of Pakistani companies are too high (e.g. internationally profit margins are very narrow but volumes are high whereas in Pakistan profit margins are high and volume is low).
- Majority Small and medium-sized enterprises (SMEs) failed to provide value added services.

- The level of competition is almost absent due to the lack of interest of investors and poor government policies.
- Majority of the businesses due to personal beliefs do not take loans at the cost of business growth thus the size of their business remained small.
- The government protect some industries like an infant child. If it continues like this, we cannot grow.

**Q.No. 2: Most of the companies are "seth companies". Pakistanis hate to professionalize their management. Similarly, they do not like to be listed on the stock exchange. Family control also means that at the time of inheritance, most companies split up among the next generation thereby reducing the chances for growth. PIDE recommends that companies be given incentives to professionalize and list on the stock exchange and grow.**

With the population of 25 crore people Pakistani seth companies don't focus to enhance their production mainly because

- They are satisfied with their existing roaring profit margins (25 crore Pakistani make a consumption led economy).
- They are not facing competition especially from foreign enterprises.
- 'Seth companies' willingly (probably not the lack of knowledge and skill) do not adopt efficient corporate culture in Pakistan mainly because they don't want to disclose their accounts in order to avoid taxes.

- It is the need of hour to list Pakistani companies on the stock exchange in order to reduce the size of undocumented economy.

**Q.No. 3: Why do companies in Pakistan not target foreign markets? Most of the companies are not exporters. Large houses have always been incentivized by policy to remain in the domestic market, either through protection, or through given opportunities such as IPPs, privatization, subsidies etc. PIDE recommends that government give incentives to companies based on their performance in exports.**

- Pakistani companies not target foreign markets because of the lack of required knowhow of international markets, lack of understand of the shifts in production trends and markets, the changing cost structures and emerging supply chains. Consequently, our businesses failed to go into the value-added segments at the right time and thus giving up market share to new entrants (especially to India, Bangladesh, Turkey and Vietnam - who are far better organized to deal with the changed market needs).
- Government of Pakistan must not give incentives (i.e. tax rebates and subsidies) other than export sector of Pakistan.

**Q.No. 4: What are the major areas where companies in Pakistan lag behind global competitors?**

The corporate globalization challenges for Pakistani companies include:

- Pakistani industries rely on basic production capabilities while the world invests in superior marketing strategies.
- As a nation our exposure to international markets is limited.
- Pakistani corporate managers are hesitant to challenge the status quo and have difficulties understanding other international market and so preferred to remain isolated.
- Businesses in Pakistan lack management skills which are required to compete in the global markets.
- our entrepreneurs never felt the need to compete globally due to exorbitant local profit margins (e.g. Pakistan's largest conglomerates like fertilizer, energy, cement, sugar, automotive – all meant for the local population)
- They preferred to operate in industries which served the domestic market where they could influence their networks.

**Q.No. 5: Why is there no R&D and innovation from Pakistan based firms and businesses to make their product or service unique in the global market?**

- Lack of venture capitalist in Pakistan (it is rare in our seth culture to think outside the box and venture into new avenues).
- In Pakistani corporate entities the board of directors mostly consists of family and relatives, thus hindering any outside approaches of fresh/ innovative ideas.
- The use of latest technology can also be a major innovation in improving business regulations

**Q.No. 6: Most of the companies do not focus on developing a brand name with a known product. That is why they do not need R&D. For this reason, they also do not need any local research or any local university which is also depressing our thought and research industry**

- In Pakistan majority of the businesses do not go for branding mainly because of lack of awareness and lack of support.
- This is where the state, the private sector and academia must join hands in order to develop educational programs in areas like international marketing, project management, overseas customer support & service, product design, development and foreign languages and finally cultural awareness.



Q.No. 7: What are the regulatory hurdles preventing the companies from operating outside Pakistan and targeting foreign markets? Exchange controls prevent Pakistani firms from expanding overseas. Is this a good thing?

- In Pakistan there exists too many requirements and regulations (regarding documentation and disclosures) to be fulfilled by the private sector if they decided to become public listed companies.
- The strong exchange control is a good thing to do because it results in low cost of production (i.e. with cheap import) and low inflation (i.e. low prices of foreign goods and services).

## WAY FORWARD ...

- More ease of doing business steps should be taken by Securities and Exchange commission of Pakistan (SECP) especially for the private sector to make them registered.
- There is a dire need to promote local and foreign business competition in Pakistan.
- The Seth approach of “owner and worker” model must be replaced by the model of “employee as a stakeholder and contributor”.
- Pakistani businesses should be moving up the value-added chain rather than focusing on little value added commodities.

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## Shahid Mehmood

One of the recent, lesser discussed occurrences that could affect Pakistan's future economic trajectory is the (unannounced) decision by the U.A.E government to dissuade Pakistani males, above 40 years of age, from working in their country. What led to this decision was an issue related to our political culture, i.e., the inability to tolerate the opposition! What was different this time around, though, was that these differences took the form of rallies in UAE, disrupting everyday life and economic activity.

This, of course, has repercussions which we hardly appreciate. The most obvious one concerns remittances; Arab countries are the major source of remittances that are a lifeline for the perennially dollar starved country like ours. If UAE were to actively discourage employing Pakistanis in the future, this would mean lesser potential remittance inflow, aside from putting the jobs of the already employed Pakistanis on the line. What if such a movement were to spread to other countries and beyond? This hypothetical scenario is not an outlandish impossibility—few years ago, we saw the unsavory scenes of PDM government's leaders being heckled in the holy Kaaba by followers of PTI, an occurrence that did not sit well with the Saudi authorities.

Culture, which in general constitutes man-made

behaviors, has historically remained underappreciated in discussion on factors that affect economic outcomes. In Pakistan, where the entire economic discourse seems to be built around a few chosen macroeconomic indicators like taxes, GDP, monetary policy, expenditures, etc., culture has never been part of the economic discourse. But in reality, its implications are vast.

This particular issue, culture and economic outcomes, was part of the recently held Econ Fest by PIDE, an institution whose research depth touches hitherto unknown aspects of our economy. The following is a brief description of the talk held in this regard.

The realization that culture can affect economic outcomes is an old one. French theologian John Calvin's (1509-1564) philosophy, for example, was that a man's travails in this world can determine his position in the afterlife is thought to have had a positive impact on work effort of the population at that time, cited by the famous Max Weber (1864-1920) as a substantial impetus in enhancing overall investment in mainland Europe. Weber himself wrote the famous 'Protestant Ethic and Spirit of Capitalism', opining that the protestant reformation wrought by Martin Luther had a drastic impact upon the culture (amongst other things, like religious beliefs) and gave rise to modern capitalism which helped usher

substantial transformation like the Industrial Revolution.

Coming to Pakistan, there is enough evidence to suggest that the culture has considerable influence upon our economic outcomes. The examples are innumerable, from micro to macro levels. In recent times, for example, Pakistan has been almost shunted out of Amazon (other major organizations like PayPal do not have any presence in Pakistan). What led to this was some businessmen in Pakistan, to whom Amazon had given access through opening their accounts, turning to selling fake products. Almost 150,000 accounts were closed in the wake Amazon finding about this.

The economic repercussions are severe, but hardly acknowledged in Pakistan. Amazon has a market capitalisation of \$1.88 trillion, with cash-at-hand of approximately \$145 billion. Compare that to Pakistan's total reserves of \$12 billion and economic size of hardly \$350 billion. Put differently, the behaviour of a few Pakistani businessmen has closed the door to an organization worth trillions of dollars, and whose market reach is astounding. Some of the loss, if not all, could have been recouped if Pakistani authorities had taken action against the individuals involved in the fraudulent activity. But as is our 'mitti pao' culture, no action has been taken against them, with the result that whole of Pakistan suffered due to the acts of a few.

One can cite many more examples. The vexing issue of Independent Power Producers (IPP), for example, reflects a culture of non-transparency as well as dishonesty, coming at a significant price as consumers have to pay trillions of rupees in fixed 'capacity' charges without even knowing what the agreements say?

Aside from the cases where monetary losses are clear and discernible, there are non-monetary aspects that in the end have a significant monetary repercussion. The increasing spectre of religious zealotry is an apt example, with heightened, more frequent incidences of persecution of minorities and religion inspired violence proving to be a substantial detriment to foreign and domestic investment. This is reflected in the meagre FDI that Pakistan attracts (net FDI was merely \$1.1 billion in FY22-23).

This religiosity and other such behavioural aspects, which tend to affect economic outcomes (directly and indirectly) are well documented in the recently released PIDE BASICS Survey. The non-availability of libraries plus meagre reading habits tend to affect the formation of good quality human capital, arguably the most critical component of modern economic growth.

In essence, various aspects of the prevalent culture in Pakistan have a detrimental effect upon our economic predicament. Considering that culture is a man-made phenomenon, it is therefore in our grasp to change the course for better outcomes in the future.



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# PAKISTAN'S ENERGY MESS

Afia Malik and Tehmina Asad

## CONTEXT

Energy is the backbone of civilization and development. However, in Pakistan, the energy sector is not just facing challenges; it is in a deep crisis. This crisis is a complex web of perpetual circular debt, burdensome capacity payments, ill-conceived IPP contracts, and outdated tariff design. The situation is further exacerbated by persistent power outages, unreliable supplies, rising tariffs, over-reliance on non-renewable energy sources, import dependency, and environmental degradation.

Pakistan's per capita energy consumption is significantly below world standards, and inefficiency in energy use is high. Tariff design allows for subsidies, but the fiscal space is limited to finance those subsidies. The legal and regulatory framework governing the sector is fragile. The gravity of this crisis cannot be overstated.

Behind all the mess is decades of mismanagement, overcentralized, and misguided decision-making. Above all, it is the non-realization of past mistakes and repetition of the same. Unfortunately, the poor consumers are bearing the brunt of these systemic failures.

The power sector's circular debt, which began in 2006 at III billion, has ballooned to PKR 2.6 trillion, indicating a poorly managed financial system. Regrettably, decision-makers tend to view it solely as a theft issue. Electricity theft is a problem, but it's not the sole cause of this financial mess. Theft is only possible with the connivance of the administrative staff. Maladministration often leads to overbilling consumers to cover up theft and low recoveries. DISCOs' efficiency is primarily influenced by the management of these companies. Their administrative and financial management is centralized at the Ministry level.

Electricity demand has now started declining, further adversely impacting DISCOs' financials. Instead of focusing on their inefficient practices, DISCOs are blaming this on the increasing shift of consumers towards distributed generation (roof-top solar)—net metering policy. They ignore that last year, the contribution of net metering was hardly 3TWh, whereas the demand shrunk by close to 20TWh. The reluctance to acknowledge the impact of commercial load shedding (in loss-making areas) on the decrease in demand is a significant oversight. Many parts of the country still experience load-shedding for several hours, driving consumers away from the grid.

The issue of fairness is being raised without substantial evidence. It is argued that poor consumers without a net-metering facility are subsidizing wealthy consumers with net-metering. While this may be a concern in the future, last year the electricity exported to the grid by net-metering consumers accounted for only 0.14% of the total electricity procured by DISCOs.

Instead of addressing inefficiencies and supporting poorly managed DISCOs, the decision to revise net-metering has shocked 0.11 million customers (and adding). Many middle-class consumers have invested their savings in solar PV to reduce their utility bills. The decrease in roof-top solar costs, along with the substantial increase in electricity tariffs over a year, contributes to increasing net-metering consumers.

A significant contributor to the financial mess is the underutilization of expensive installed generation capacity for which capacity payments have to be made, whether the capacity is used or not. The lack of long-term vision/ planning and focus on short-term fixes kept us adding generation capacity without

complementing it with the transmission infrastructure to evacuate power.

Whatever expansion in the transmission infrastructure is made is mostly unplanned. The underutilization of newly developed transmission infrastructure has increased the capacity payment burden. For example, in 2021, an 886 km HVDC transmission line with a 4,000 MW capacity was constructed with a take-or-pay contract but is significantly underutilized (only 39.6%).

Throughout the years, sector managers have repeatedly failed to develop a comprehensive and sustainable energy policy that meets the population's needs while ignoring sustainability and the country's macroeconomic environment.

The focus has been on more addition rather than on efficiency. Many public-sector power plants (GENCOs) built in the early 1980s and private-sector plants built in the late 1990s operate at lower efficiency levels, sometimes as low as 30% or even less. These plants are economically unviable and should have been retired. However, these inefficient plants are still in the system and are eligible for capacity payments. Some Independent Power Producers (IPPs) contracts have been renewed despite their low efficiency.

The government's effort to enter into contracts with Solar IPPs reveals a lack of coherence in renewable energy policies. If these efforts succeed, the capacity payment burden will increase even further. The issue related to capacity payments is somewhat linked to inaccurate demand projections. Pakistan has an installed capacity of 45,000 MW, while the highest demand in the summer has reportedly peaked at 30,000 MW. The winter demand is at most 17,000 MW. The overestimated demand and underutilized capacity are due to a poorly managed policy framework. Additionally, no efforts are being made to balance summer and winter demand through innovative seasonal tariffs.

The link to the sector's financial challenges can also be found in the tariff design—not only is there cross-subsidy across sectors and domestic consumer categories, but some distribution companies (DISCOs) are also cross-subsidizing others. The government pays subsidies to maintain uniform tariffs across all distribution companies. In FY2023, out of the PKR 870 billion allocated to the power sector, about 61% was allocated to the inter-DISCO tariff differential. Additionally, the consumer-end tariff is cluttered with taxes and surcharges, increasing the consumer's financial burden and discouraging them from paying bills on time.

The current design of electricity tariffs is not a priority for decision-makers. Significant cross-subsidies across sectors are distorting electricity demand. The industry is moving away from the grid towards captive generation, now complemented by the increasing use of renewable power plants. Furthermore, it is pertinent to mention that many large factories (textile) are forced to move

towards energy efficiency practices and solar adoption to offset the impact of rising electricity tariffs and the potential impact of the Carbon Border Adjustment Mechanism (CBAM).

## GOVERNANCE REFORMS

The governance structure within the power sector is responsible for the mess that has multiplied over the years. The Ministry of Energy (Power Division), with the support of consultants/ donors, is responsible for formulating policies and strategies across the power supply chain—generation, transmission, and distribution. The National Electric Power Regulatory Authority (NEPRA) oversees tariffs, licensing, and ensuring compliance with regulatory standards, but it lacks the necessary powers and capacity.

Pakistan Institute of Development Economics (PIDE) research strongly advocates for depoliticizing boards of entities such as NTDC and DISCOs. Only by ensuring that these boards consist of skilled professionals capable of making impartial decisions and appointing competent management can governance and policy implementation be significantly enhanced.

DISCOs need to shift their focus towards developing robust business models, enhancing their efficiencies, and improving their governance and management practices. This transformation can only be achieved when DISCOs are granted financial and administrative independence, and decision-making power is decentralized at the company level. Addressing the maladministration and inefficiencies that currently plague the sector is a crucial step towards sustainable progress and restoring trust and integrity within the sector.

Another critical aspect involves clarifying the Ministry of Energy's role to ensure only the effective oversight of the power sector and not intervention in company affairs. This clarification would streamline decision-making processes and enhance accountability, leading to more efficient operations. Furthermore, prioritizing the commercialization of power companies over privatization can lead to operational efficiency gains while retaining public assets.

Establishing an independent Power Commission composed of experts for three to five years with a target to clean up the mess can be a promising step. This commission with powers can facilitate better coordination and management across generation, transmission, and distribution, optimizing the overall energy infrastructure and paving the way for a more efficient power sector. An effective legal and regulatory setup is crucial.

## TARIFF REFORMS

Revising the tariff design to enhance efficiency is crucial. Tariffs should accurately reflect the actual supply cost to all consumer categories and geographical markets. Redirecting subsidies through programs like the Benazir Income Support Program (BISP) can ensure that assistance reaches those most in need. This will reduce the overall subsidy burden on the government and instill a sense of fiscal discipline, reassuring the stakeholders about the power sector's financial sustainability. Promoting winter electricity consumption through innovative seasonal tariffs can reduce the capacity payments burden and lessen gas resource consumption.

## TECHNOLOGY ADOPTION

Implementing automated metering infrastructure (AMI), which includes pay-as-you-go meters, can significantly improve billing accuracy, reduce commercial losses, enhance revenue collection, and prevent the misuse of net metering incentives. Similarly, promoting off-grid solutions for remote areas can provide reliable electricity, lessen the burden on the national grid, and offer electricity access to 26% of the population currently not connected to the grid. However, these initiatives should be pursued without the influence and support of donors, as this is not sustainable.

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# ECONFEST 2024: FOSTERING ECONOMIC DISCOURSE AND YOUTH EMPOWERMENT

Maria Jawad Khan

The third iteration of EconFest, organized by the Pakistan Institute of Development Economics (PIDE), unfolded with enthusiasm at the scenic Gandhara Citizen Club, F9 Park, Islamabad. Spanning two days of intellectual vigor and communal fellowship, EconFest 2024 transcended mere dialogue to become a crucible of transformative ideas, inclusive engagement, and vibrant celebration. Although economics is often perceived as a dry and monotonous subject, EconFest made it engaging and relevant, capturing the attention and imagination of a diverse audience.

As our nation grapples with formidable economic challenges, paramount among them is the overhaul of the antiquated tax system—a vestige of the colonial era. This complex system, marred by inefficiencies, stifles revenue generation, underscoring the urgent need for comprehensive economic reforms, which was the main theme at EconFest. Following Dr. Nadeem ul Haq's engaging session on "Islah: Beyond IMF," EconFest 2024 unfolded into a series of thought-provoking discussions led by distinguished speakers and experts in their respective fields.

Central to EconFest's ethos is its unwavering commitment to inclusivity. Attendees from diverse backgrounds, spanning academia, government, industry, and civil society, converged to deliberate on the multifaceted tapestry of Pakistan's economic landscape. Through panel discussions, keynote addresses, and dedicated sessions, the festival amplified the voices of young scholars and aspiring changemakers, providing them with a platform to articulate their vision for Pakistan's economic future.

The festival featured a series of discussions on topics of utmost importance for Pakistan's economic trajectory.

In one hall, attendees delved into the intricacies of public finance with the session titled "Where Do They Spend My Taxes?" Moderated by Athar Maqsood, the discussion featured insights from prominent figures including Mehmood Khalid. Together, they examined the allocation and utilization of public funds, shedding light on the priorities and challenges in Pakistan's fiscal landscape. Meanwhile, in another hall, the focus shifted to personal finance and investment strategies with the session "Building Wealth Through Investment." Led by industry experts and financial analysts, this discussion provided attendees with valuable insights into navigating the complexities of investment markets, managing risks, and harnessing opportunities for wealth creation in an evolving economic environment.

The overwhelming response from the audience was evident throughout the festival. The sessions were well-attended, with full houses in most discussions, reflecting the public's growing interest in economic issues and the festival's success in making these topics accessible and engaging.

Furthermore, sessions such as 'Documenting the Informal Economy,' led by luminaries like Shabbar Zaidi, shed light on strategies to formalize informal economic activities—a crucial step towards sustainable economic growth. Simultaneously, discussions on 'Next Generation: Law, Politics, and Bureaucracy' underscored the imperative of nurturing a new cadre of leaders equipped to navigate the complexities of governance and policymaking in the 21st century. Following a brief interlude, attendees immersed themselves in discussions on 'Education Without Career' and 'Revisiting Government Jobs,' delving into the evolving landscape of education and employment in Pakistan. Concurrently, experts elucidated essential steps for Pakistani compa

nies to compete globally and dissected geo-economic dynamics, shedding light on Pakistan's strategic positioning in the global economic landscape. The festival served as a melting pot of ideas, insights, and actionable strategies.

At the heart of EconFest lay a resounding emphasis on youth empowerment. The festival's agenda was meticulously curated to amplify the voices of young scholars and aspiring changemakers, underscoring their pivotal role in shaping Pakistan's economic trajectory. Panel discussions, keynote addresses, and interactive sessions served as avenues for youth to articulate their vision, aspirations, and concerns, ensuring their perspectives were not only heard but actively incorporated into the discourse on national economic development. It also served as a platform for revisiting critical issues from previous editions. As the third successive event, EconFest 2024 welcomed returning attendees who were inspired by the fruitful discussions of previous years. Their active participation underscored the enduring impact of EconFest in fostering ongoing dialogue and collaboration.

The festival's success was not solely confined to intellectual pursuits. EconFest embraced the spirit of holistic engagement, offering attendees a plethora of recreational activities, including a fun zone, food stalls brimming with culinary delights, and an enchanting Qawali evening. These moments of respite provided opportunities for networking, relaxation, and cultural exchange, fostering a sense of community and companionship among participants.

As EconFest 2024 drew to a close, its impact reverberated far beyond the confines of the event venue. Attendees departed with enriched perspectives, renewed inspiration, and a deepened sense of solidarity, poised to translate the ideas and insights gleaned during the festival into tangible actions and initiatives.

EconFest's legacy as a catalyst for dialogue, collaboration, and youth empowerment endures, reaffirming its pivotal role in shaping the narrative of economic development in Pakistan. As we reflect on the successes of EconFest 2024, we look forward to the continued convergence of minds, ideas, and aspirations at future editions of this seminal event.

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# ELECTORAL REFORM POST 2024

Abbas Moosvi

Pakistan's electoral history and domain of political contestation more broadly have, since independence, been marred by manipulation, foul play, and inaccessibility for ordinary citizens. While the 1970 elections were quite participatory in terms of voter turnouts, estimated in the 65-70% range, subsequent cycles saw dipping rates of voting – in the 35-40% range during the 1990 – before steadily climbing back up to around the 50% range following 2002. These dismal figures suggest the formation and formalization of a steadily growing gulf between the state apparatus on the one hand and its subjects on the other – which have lost faith and trust in the 'democratic' process of Pakistan. This is despite the 'youth bulge', commonly perceived as more politically active in the political process, indicating that the nature of engagement has shifted from street-level mobilization and/or electoral contestation and towards social media advocacy/lobbying. In this context, PIDE and LUMS collaboratively held a panel discussion at EconFest, 2024 to delve into the structural and procedural constraints to democratic transition and chart a path forward in a sustained manner.

## KEY TAKEAWAYS: RASUL BAKSH RAIS

While difficult to believe today, Pakistan does have a history of free and fair elections – the most notable during the 1970s. Despite the absence of modern identification methods like ID cards, the electoral process during that era managed fairly high voter turnouts and was able to maintain a high degree of credibility. Polling agents were responsible for verifying the identity of voters, and even without the 'sophisticated' tools we have today – such as Form 45 and Form 47 – election results were processed straightforwardly with minimal allegations of foul play. This historical context raises the question of why, despite significant technologi-

cal and administrative advancements, the current electoral process seems fraught with challenges.

Today, the most pressing issue facing Pakistan's electoral process is the pervasive problem of rigging. This manipulation occurs at various stages: pre-poll, during the polling process, and post-poll. Who are the actors/stakeholders involved in this? There are claims – not without a degree of truth – that journalists, intellectuals, political parties, ethnic groups, and civil society organizations all play their role. However, their aggregated contribution in the distorting of the playing field is minuscule compared to a particular institution that is dangerous to even name today. These are vested interests are protected and advanced in every electoral cycle.

Pakistan's electoral laws are generally robust, and the Election Commission of Pakistan (ECP) is designed to be an autonomous body. The crux of the problem lies in the implementation and respect for these laws. The autonomy of the ECP is frequently undermined, and laws are often disregarded, leading to a compromised electoral process. This highlights a critical issue: the institutional imbalance that hampers electoral transparency and fairness. Pakistan's ruling elites do not seem to prioritize the long-term future of the country, including investment generation, constitutional supremacy, and the welfare of future generations. Current political leaders often look to foreign assistance, such as from the UAE, rather than focusing on building domestic capacities. This reliance on external support detracts from efforts to strengthen internal institutions and promote sustainable development.

Pakistan's political system can be described as a 'hybrid' system, where power does not solely reside in Parliament or the Constitution but is influenced by other entities. In such a system, even the most well-intentioned and technically sound measures proposed by lawyers and

political scientists may fail to bring about meaningful change. This hybrid nature of governance complicates efforts to achieve a genuinely democratic and transparent electoral process. To address these challenges, it is imperative to enforce the Constitution in its true spirit, recognizing it as the supreme social contract. Political parties must reach a consensus on whether to continue playing to the establishment's favor or to genuinely address the concerns and grievances of ordinary citizens in a political sphere that is genuinely meritocratic and free from external pressures/incentives. The judiciary and the media must also be independent and allowed to do their jobs in a fair, transparent manner.

A collective push for democratic transition is essential, involving all stakeholders, including the media, civil society, academics, and interest groups. This effort must aim to eliminate the climate of fear characterized by the long tradition of 'enforced disappearances' and arbitrary media clampdowns to quell dissent. Only through such a unified and determined approach can Pakistan hope to restore the integrity of its electoral process and build a more democratic and just society.

## KEY TAKEAWAYS: ARIFA NOOR

In Pakistan, the only perceived way to ensure free and fair elections is to align with the preferences of the Establishment. This reflects the profound level of control the Establishment wields over the political process, making it nearly impossible for dissenting voices or opposition parties to win fairly. This pervasive influence undermines the democratic principle of fair competition and hampers genuine political discourse. Political problems cannot be resolved through technical innovations or legal avenues; political issues in Pakistan require political solutions, not just procedural tweaks. Addressing grievances through courts or technical reforms does not address the root causes of political instability or manipulation – which have to do with the blatantly uneven playing field and constant interference by 'extralegal' forces. Genuine dialogue and political engagement are essential to resolve these deep-seated issues.

The concept of Form 45s originates from the 1990s elections, which were marred by severe manipulation. Subsequent electoral reforms introduced these forms (initially labeled Form 14s) to enhance checks and balances in the electoral process. However, the Establishment has obviously found ways to maneuver around these too in recent cycles, demonstrating that even well-intentioned measures can be subverted if the underlying power dynamics remain unchanged. For

Pakistan to avoid major turmoil or insurrection, which could uproot the entire system and create chaos, the Establishment itself must decide to take a step back from its overarching control. Without this retreat, the prospect of meaningful democratic governance remains bleak, and the potential for significant unrest looms large.

Pakistan's political landscape is dominated by the rich and privileged, leaving marginalized groups such as the working class, landless peasantry, religious minorities, transgender individuals, and ethnic peripheries under-represented. While proportional representation could address this imbalance, it must be carefully considered to avoid exacerbating identity-based differences. A more inclusive Parliament would better reflect the diverse fabric of Pakistani society and enhance democratic legitimacy. Pakistan was born out of a sense of collective grievance that Muslims were experiencing as a minority in the subcontinent; but simply creating a country is not enough, minorities must be granted the space and attention they deserve. Balochistan, for example, illustrates the need for a formal restructuring of the state's relationship with marginalized communities. Ensuring their rights and integrating them into the national fabric is crucial for national unity and stability.

The Charter of Democracy, while a significant political document, has led to a distribution of control where the PML-N dominates Punjab, the PPP controls Sindh, and the Establishment exerts influence over regions like Balochistan and Khyber Pakhtunkhwa with no qualms or questions by political representatives. This arrangement has legitimized violence and suppressed institutional development in these regions. It is vital to openly discuss and critique this document to improve and refine it, rather than treating it as beyond reproach.

Low voter turnout in Pakistan is not arbitrary; it reflects a deep disillusionment with the electoral process due to blatant rigging and manipulation. Additionally, the logistical challenge of conducting nationwide elections on the same day further complicates participation. Restoring faith in the electoral system is essential to encourage higher voter engagement.

Pakistani media's dependence on state revenues undermines its independence. Show cause notices and regulatory bodies like PEMRA are weaponized to intimidate journalists, stifling free speech. Social media journalists face significant intimidation, surpassing even traditional TV channels. The decentralized nature of social media makes it harder to control, leading to increased pressure and threats against online journalists. Protecting these

voices is crucial for maintaining a diverse and independent media landscape. Media agencies rely more on government funds than viewership revenue, compromising their ability to operate independently and skewing the economic incentives of the domain away from viewership and content quality and towards clientelist relations with the state.

To address these challenges, Pakistan must enforce its Constitution in its true spirit, respecting it as the supreme social contract. Political parties need to reach a consensus on addressing citizens' concerns rather than pandering to the Establishment. The judiciary and media must be entirely independent to function as true pillars of democracy. A collective push for democratic transition, involving all stakeholders—media, civil society, academics, and interest groups—is essential to eliminate the climate of fear and ensure a genuinely democratic and transparent electoral process.

## KEY TAKEAWAYS: SAROOP IJAZ

Pakistan is experiencing a crisis over the fundamental rules of its political process, driven by conflicting incentives and disincentives for political actors. No clear and consistently enforced rules undermines trust in the system and exacerbates political instability. The consensus on democratic transition as a positive ideal has been shaken globally, not just in Pakistan. The rise of populists and illiberal movements has challenged the balance between liberal values and democratic governance. In Pakistan, this tension manifests in the use of undemocratic means to ostensibly protect democracy from perceived illiberal threats, further complicating the political landscape. In Pakistan, election winners often do not even claim to be popular representatives. Instead, they argue that their leadership is essential for the country's stability, implying that the alternative would be catastrophic. This rationale shifts the focus from democratic legitimacy to a narrative of necessity, where ends justify the means.

Post-election governance in Pakistan faces severe challenges due to institutional capture. Policymaking and execution become nearly impossible, as entrenched interests within institutions obstruct meaningful reforms and effective governance. This paralysis hampers the country's development and erodes public trust in democratic institutions. Paradoxically, as more people become politically aware, their faith in formal democratic processes diminishes. This disillusionment leads to increased polarization and a growing desire to fundamentally change or uproot the existing system –

threatening the survival of the state itself.

The incentive for conducting free and fair elections in Pakistan is minimal. Even with comprehensive electoral reforms, opposition parties are likely to claim rigging to protect entrenched interests. This perpetual skepticism undermines the credibility of the electoral process and deters genuine efforts at reform. The UK's House of Commons is much larger than Pakistan's Parliament, despite the UK's smaller population. This structure ensures that decision-making is decentralized, and that legislative processes involve debate, persuasion, and participation from a broad spectrum of society. This inclusiveness builds trust between citizens and the state, a model Pakistan could benefit from emulating.

Pakistan's electoral constituencies are significantly larger than those in many other countries, creating administrative and logistical challenges. These large constituencies increase barriers to entry for candidates, favoring those with substantial financial resources and political connections, thus limiting democratic participation. Elected representatives start off their terms on a dishonest note, failing to honor their oaths – of which a central part is having adhered to ECP guidelines for fair and transparent elections. This behavior undermines the integrity of the electoral process and diminishes public trust in elected officials, further poisoning the political environment.

There are an estimated 10 million missing women in Pakistan who are not registered to vote due to the lack of computerized ID cards. This systematic exclusion represents a significant failure of the electoral system to be inclusive and fair.

Certain issues, like outlawing martial law, transcend legal prescriptions and are considered supraconstitutional. This highlights the limitations of legal reforms in addressing deep-rooted structural problems within Pakistan's political system. The caretaker government, responsible for conducting elections, lacks the incentive to ensure free and fair elections due to the temporary and politically charged nature of its appointment. Additionally, Pakistan's colonial-era bureaucracy, which administers the electoral process, requires substantial reform to meet modern democratic standards.

While not perfect, the Charter of Democracy establishes a framework for democratic processes in Pakistan. It provides a foundation for political actors to build upon, promoting a flow towards democratic governance. However, ongoing critique and improvement of the Charter are necessary to adapt to evolving political



realities. To address these complex challenges, Pakistan must undertake significant reforms as part of a 'Charter of Democracy 2.0' initiative that all parties and institutions are on board with:

- **Strengthen Democratic Institutions:** Ensuring the autonomy and effectiveness of institutions like the Election Commission of Pakistan is crucial.
- **Political Consensus:** Political parties need to agree on fundamental rules and respect democratic principles over short-term gains.
- **Inclusive Governance:** Electoral reforms should aim to include marginalized groups, ensuring their representation in Parliament.
- **Decentralization:** Adopting a more decentralized legislative model, similar to the UK, could enhance inclusiveness and public trust.
- **Public Engagement:** Rebuilding faith in the democratic process through transparency, accountability, and active engagement with citizens is essential.
- **Reform Bureaucracy:** Modernizing the colonial-era bureaucracy to better serve contemporary democratic needs is vital.

Each of the aforementioned areas must be explored, researched, and thoroughly debated in the public square to ensure a movement towards a robust, fair, and inclusive democratic system that actually works for the many – not just the privileged few at the top.

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# The Costly Addiction to THE COSTLY ADDICTION OF FOREIGN AID



Uzma Zia

Foreign aid – a hindrance to self-sufficiency of our country, has long been used as a solution to global poverty and economic inequality but now let's term it as a curse. Mainly the aid includes money, resources, and work force that are offered to developing countries around the world to help disaster relief, emergency dealings, economic development, and poverty reduction. A closer examination reveals that this generous act has spread dependency, destabilize local industries, and even aggravate corruption in recipient country. Broadly, the aid is meant to support economic development, alleviate poverty, and promote social well-being in developing countries Pakistan's experience is not fruitful at all. Despite its good intentions, foreign aid has come under increasing scrutiny as long term growth of Pakistan is declining in presence of aid. A large majority of policy makers and economists now argue that foreign aid often fails to achieve its objectives and contribute to more damage in the country.

Currently IMF loans are the main source of aid to Pakistan and it has been noted that aid brings dependency, inefficient allocation, distortion of local markets, lack of ownership, corruption and lack of transparency. Pakistan is having lowest investment 15% (PIDE webinar brief, 2020), 13.1% as percent of GDP (Economic survey, 2024) in the region whereas saving rate is around 13% as percentage of GDP (Economic survey, 2024). Similarly, as reported in OECD data, there were

153 international donors which provided official development assistance to 146 countries in 2017. In 2018-19, it was observed that there were bilateral donors (34), multilateral donors(33) managed more than 2,000 project activities in Pakistan (PIDE webinar brief, 2020). Other than IMF, Pakistan has historically remained in the top recipients of US aid since 1948, the US has sent more than £30bn as aid. Nearly half of this was meant for military assistance (The Guardian)<sup>1</sup>.

## DEPENDENCY & UNDERMINING PAKISTAN'S AUTONOMY

Foreign aid being a political notion has created a culture of dependency, undermining Pakistan's autonomy and declining self-sufficiency. Often, it is allocated inefficiently, with funds diverted to non-essential projects or drawn off by corrupt officials. They are not fully utilized for the purpose they are given. In fact the policy decisions are done in donor countries and our economy suffers. Still reaching to get the aid again and again doesn't seem reasonable for Pakistan.

## AID: A CURSE IN DISGUISE

For Pakistan foreign aid often focuses on short-term solutions, neglecting long-term sustainable development. Aid is often tied to conditionalities that impose donor countries' interests, undermining recipient countries' sovereignty. Pakistan is also facing such conditions. A recent example of IMF aid has put a lot of conditionalities on the country and the country is now trapped in a vicious circle. These measures only provide temporary fixes and now the country needs to redefine its strategy<sup>2</sup>.

## LIMITED IMPACT ON POVERTY REDUCTION

Foreign aid is not reaching the vulnerable group of Pakistan and shown limited impact on poverty reduction, failing to address underlying basic issues for which aid is given. Recipient countries have little ownership or control over aid projects, which can lead to ineffective implementation and unsustainable outcomes. Aid distorts local markets, creating artificial prices and undermining local industries, hence keeping the recipient country poor.

## FUELING CORRUPTION AND WEAKENING OF INSTITUTIONS

The arrival of huge amount of money without stringent accountability measures usually lead to inefficiencies in the system and obviously Pakistan is a victim of it. It fuels corruption and rent seeking in our country. This not only wastes the aid money and also weakens the institutions, public trust, both in governmental and international institutions.

## DISEMPOWERING LOCAL COMMUNITY THROUGH AID

Foreign aid can disempower local communities, undermining their capacity to develop their own solutions. The modern approaches now focuses on empowering local economies. When communities are given the resources to succeed independently, they become source of growth.

## BREAKING THE CHAINS: A WAY FORWARD



In a developing country like Pakistan, foreign aid should only be used to provide immediate relief in case of emergencies otherwise it acts like a friendly fire, hampering economic growth. Pakistan must make its own strategy/policy to tackle with foreign aid. The country should align aid with national priorities through negotiations, build self-sufficient environment, control corruption, rent seeking and build strong institutional mechanism. As self-sufficiency outweighs foreign assistance and will keep developing domestic industries/businesses and encouraging local entrepreneurship.

Concluding the above discussion, the decision lies between remaining addict on foreign aid or trying for self-sufficiency. By prioritizing investments in its people, promoting local industries, and adopting innovation, Pakistan can realize its potential and create a lasting legacy of sustainable growth/development. This is the time to take action, with a clear route ahead: choosing self-reliance over foreign dependency.

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<sup>1</sup><https://www.theguardian.com/global-development/poverty-matters/2011/jul/11/us-aid-to-pakistan>

<sup>2</sup>Webinar brief no.10 (<https://file.pide.org.pk/pdf/pideresearch/wb-010-for-eign-aid-to-pakistan.pdf>)



# 24<sup>TH</sup> IMF PROGRAM

**Mohammad Shaaf Najib**

The Twilight Saga was a film series of five movies between 2008 and 2012. The movies featured the development of a relationship between a teenage girl and a vampire, which many a critics termed as more of an unhealthy obsession than romantic love. Subsequently, the movie series led to the formation of a long lasting meme where any relationship between two people was compared to the twilight series with the statement 'still a better love story than twilight'.

Pakistan is faced with yet another crisis. Economic activity is severely halted, inflation has remained high throughout the year, other macroeconomic indicators have gone from bad to worse while the threat of default continues to loom over the country's head with low foreign exchange reserve base. The upcoming fiscal year's budget previously always was considered a major news event particularly by the general public, but that has changed in recent times. Now, the talk of the town is not as much budget as much as it is a new IMF Program. The government efforts and budget

preparations too are now focused towards presenting an acceptable outlook of the economy to the IMF which may help move the negotiations forward. It was the same in the lead up to the Budget for the fiscal year 2024-25, which has been widely seen as an effort to look acceptable to the IMF, and a couple of weeks into the new fiscal year Pakistan and IMF have reached a staff level agreement for a 37 month USD 7 Billion yet another extended fund facility, or in simpler words IMF's 24th bailout package for Pakistan. The relationship between Pakistan and IMF seems to have developed what the memes a decade ago would have termed as a love story better than twilight (though some might argue it is turning into a reflection of the twilight story, as Pakistan's unhealthy obsession with the IMF continues to grow).

Pakistan's 23 IMF programs to date have failed to bring about any genuine and lasting macroeconomic stability in the economy. Besides, Pakistan has failed to complete majority of its IMF programs as well, yet the urgency to

return to IMF remains through the roof. The question arises that whether there has been any review by the authorities in Pakistan to assess the reasons for failure of all these programs?

The foremost question that needs to be asked is if the primary reason behind failure of programs, in terms of achieving its results and completion both, is the design of the program or the lack of capacity to implement the agreed upon program?

Without evaluating the previous 23 programs and gauging the reasons behind their failure, knocking on the IMF doors again showcases a lack of vision among the decision makers of the country who continue to look for an easy fix. An IMF package brings in immediate foreign reserves while the IMF also dictates major policy decisions regarding revenues, expenditures and establishment or closure of government departments, authorities and agencies. Pakistan has repeatedly outsourced policy decisions to foreign donor agencies for minimal loans. Resultantly, in the fiscal year 2023-24, over three-fourth of the country's revenue was utilized only for interest payments of accumulated loans. With further increase in the government's financing gap, interest payments are expected to make up an even higher portion of the country's targeted revenues in the upcoming fiscal year. Greater financing need will automatically result in harsher conditions from funding agencies to ensure.

The same issue came under discussion in a session at the recently held this edition of the EconFest at Islamabad, where the panelists Shahid Kardar, former governor SBP and senior journalist Mehtab Haider while talking to Vice Chancellor Pakistan Institute of Development Economics (PIDE) Dr. Nadeem Ul Haque highlighted the need for developing a homegrown development plan. The session emphasized on the need for immediate reforms in the country without which achieving any sort of economic stability and growth is not possible. The role of thinkers, researchers and academia is of utmost importance in generating reform ideas in the country as well as creating a demand for reforms from the policymakers. Unfortunately, the academia and research fraternity in the country has to date failed to play any role in this.

PIDE, earlier this year, published an extensive Reform Manifesto focusing in 10 major themes focusing on transformation of economy and society. The purpose of the Reform Manifesto is to kick start discussion on reforms in the country and to push for homegrown development plans. A homegrown plan, as PIDE envisions, needs to be put forward by the researchers and academia of the country, and not to be dictated by foreign consultants. While the government must be questioned for ignoring the local thought industry and jumping to foreign consultants for advice, the academia in the country needs a moment of reflection as well to assess if they have made efforts for presenting any reform ideas and pushed substance to call for a place on

the decision making table.

The Reform Manifesto put forward by PIDE is the first of its kind effort by any think tank or institution in the country to propose a long term extensive vision for the future. One may not agree to all the points in the reform manifesto, or not even to any point, but all must become part of the necessary discussions on crucial reforms for the revival of Pakistan's economy.

It is time that we realize the IMF is not a savior, neither has it ever claimed to be one, but it is not the enemy either. IMF is nothing more than an emergency ward for struggling economies, providing temporary relief for countries helping them gain enough space and time to implement lasting reforms. The reforms, though, are the country's own responsibility. If the country is not willing to undergo requisite changes for its economic revival, the blame lies only on the country itself. The same is the case with Pakistan right now, as we continue to visit the emergency room again and again but have always avoided the necessary treatment following discharge from the emergency room.

Pakistan awaits the board approval after successfully negotiating a staff level agreement for the 24th IMF program with the hopes for a miracle that somehow the last 23 times was absent, I am reminded of the famous Albert Einstein saying that 'the definition of insanity is doing the same thing over and over again, but expecting different results'. It is fair to say, Pakistan's policymaking has infiltrated into the domain of insanity.

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# AI AND THE FUTURE OF WORK FOR WOMEN IN PAKISTAN

Saba Anwar

The growing integration of Artificial Intelligence (AI) into various sectors has raised significant discussions about its impact on the future of work particularly for females. This conversation is particularly relevant in Pakistan, where a disconnect exists between global technological advancements and the country's current trajectory.

Three years ago, the Pakistan Institute of Development Economics (PIDE) designated the second quarter of 2021 as "INTERNET FOR ALL." PIDE's rapid growth strategy pioneered "internet for all" as a central pillar. The strategy recommended selling spectrum to mobile operators at nominal prices, prioritizing 5G, ensuring availability of low cost smart phones and more operators to achieve widespread internet access. This effort aimed at enhancing connectivity rather than generating revenue from spectrum sales. Since then PIDE has consistently promoted digital inclusion through webinars, policy briefs, and collaborative events like Econfest. In the third Econfest, PIDE partnered with Lahore University of Management Sciences (LUMS) and focused on AI and its implications for employment pattern of women in Pakistan.

## AI'S ROLE IN EXISTING INDUSTRIES

There are three ways through which AI is improvising and streamlining the existing industries of the ecosystem. AI is streamlining various sectors in Pakistan. For instance, telemedicine startups like Sehat Kahani use AI for predictive health services. Similarly, AI-based initiatives in logistics, such as Trucker, are optimizing pricing models. AI is being also used to combat forest fires. LUMS and WWF have collaborated for pilot project.

However, AI also poses risks, with approximately 17% of jobs in Pakistan susceptible to automation. These include graphic design, animation, illustration and content writing. This affects freelancers and gig workers on platforms like Fiverr and Upwork, where AI-driven services are replacing traditional roles. In January 2023, Fiverr introduced a new job category called AI services, which is a category of creative workers that are using AI services to sort of perform services for clients.

Also the backend world of AI, involving large language models like Scale AI and ChatGPT is seldom discussed. This sector employs workers trained in AI algorithms for data annotation and prompt engineering. These contract workers often work long hours without job protections. Projects on these platforms can end abruptly, as seen when Scale AI hired Pakistani workers at \$8 per hour but stopped allowing registrations from Pakistan in February 2024, leaving many workers suddenly without income.

## OPPORTUNITIES AND CHALLENGES FOR WOMEN

In Pakistan, women's representation in STEM fields is alarmingly low, standing at approximately 10%. This trend reflects a global issue, with tech giants like Microsoft and Amazon showing 29% and 49% female representation, respectively. However, only 26.5% of women hold senior positions in listed firms.

The situation in Pakistan is compounded by basic digital literacy challenges. According to a GSMA survey, only about 15% of women have regular internet access. The mobile ownership ratio is significantly skewed, with women owning only half as many devices as men. Additionally, 91% of the youth lack basic digital literacy skills, such as operating chatbots.

Pakistan is still striving to achieve widespread 4G penetration, hindered by a lack of smart devices. While 4G was introduced in 2011, by 2021, only 43.51% of users had access to 3G and 4G devices. According to the Pakistan Telecommunication Authority (PTA), 58% of the market consists of smartphones. Locally produced phones are predominantly 2G devices (65%), with only 35% being smartphones. In October 2023, the share of imported smartphones was around 10%.

All over the South Asian region including India and Bangladesh, women are overrepresented in the entry level administrative clerical work. And according to some estimates, 1 out of every 5 females in this job is likely to lose it due to AI automation, but more decision making jobs requiring social cognition like executive decision making will be open for them. Thus AI economy has the potential to augment the reversing trends in labour market recently witnessed in Ethiopia or India where the proportion of women in high skilled labor has increased from 13 %. So in a general equilibrium sense, the women will be better off.

## PROGRAMS FOR WOMEN'S SUCCESS

To ensure women's success in the AI-driven economy, accessible upskilling programs are essential. Designing gender-sensitive training and financial instruments can help women navigate the evolving job market. Infact, women should be involved in designing these trainings and apps to ensure that it is women sensitive and based on the local data.

In the presence of low literacy scenario, one option to effectively leverage the new economy would be to design speech based systems. This is already in practice in regions like Africa. Again the challenge is that data set of only Urdu language exists, while that of regional languages is altogether nonexistent. This automatically limits the outreach of these tech systems to urban centers only. Dataset for this technology means 100 and thousands of hours of recording and translation. These data sets will have to be developed locally.

There are zillions of examples to learn from. Sonia Gonzalez, a Mexican woman, used to make comic style hand drawn intricate illustrations on fiverr. She started using Midjourney to make AI illustrations in a similar style. This increased her output, the number of her clients and substantially reduced the costs. This is one example of how the nature of job is shifting and we should prepare ourselves for it in time.

## NON READINESS OF THE PUBLIC SECTOR

There is a huge pushback or non-readiness to AI adoption in the government sector. One example is that of health sector. The third leading cause of maternal death is eclypsia which is blood pressure. The research showed that the AI could detect it much better than the low skilled maternal health care workers in rural health care centres. So an AI tool was designed in Pakistan, but the Punjab Health Authorities refused to deploy it and preferred to cling to the nineteenth century practices discouraging the developers.

## ETHICAL CONSIDERATIONS

Biases in AI models reflect existing societal inequities. For instance, healthcare AI tools often rely on data from male patients, potentially neglecting women's specific health needs. Moreover, AI-driven recruitment tools have shown biases against women, highlighting the need for diverse and inclusive datasets. Developing ethical, indigenous AI models is crucial to prevent the amplification of these biases.

## CONCLUSION

AI's integration into Pakistan's economy presents both opportunities and challenges. The government, academia, and private sector must work together to leverage the opportunities that AI provides. By addressing accessibility issues, providing targeted training, and developing ethical AI models, Pakistan can harness the potential of AI to create a more inclusive and prosperous future. The discussants of the session were convinced that once the most vulnerable population is the target of the policy, the rest will be automatically addressed. Similarly, the role of academia is to highlight the barriers. If the barriers of one sector gets addressed, the others will automatically follow improving the overall eco system.

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# میدیا ہمارا چہرہ Media & Image Building

Hall-III (Revive)  
1:30 PM to 2:30 PM

QAMAR ZAMAN KAIRA  
Former Federal Minister/MNA, Government of Pakistan

EASEEH MANGI  
Pakistan Ambassador, Bloomberg LP

ABDUL KAREEM NAYAB  
(Research), PIDE

## REVAMPING PTV: A BLUEPRINT FOR GLOBAL SUCCESS

Abbas Murtaza Maken

In our current zeitgeist, media plays a pivotal role in shaping perceptions and projecting a nation's soft power. State or publicly funded broadcasters like Turkey's Turkish Radio and Television Corporation (TRT), the UK's British Broadcasting Corporation (BBC), and Qatar's Al Jazeera are globally renowned for their top-notch entertainment, cultural exports, and global news coverage. Unfortunately, unlike its regional and global counterparts, the state-owned Pakistan Television (PTV) in Pakistan, has struggled to attain similar success. While TRT, BBC, and Al Jazeera have set benchmarks for quality and influence, PTV's influence has been relegated to an ever-decreasing domestic audience with negligible international influence.

Established in 1964, PTV was conceived as a platform to promote Pakistan's culture along with providing rich informative content to the populace. Indeed, in the initial period following PTV's creation, it did play a significant role in entertaining and educating the nation. During the 1970s, 1980s, and early 1990s, the dramas and teleplays on PTV were considered to be the best across the Indian subcontinent, with classics like "Khuda Ki Basti" (1969–74), "Sona Chandi" (1983), and "Ainak Wala Jin" (1993).

These dramas along with the widely watched news show "Khabarnama" were emblematic of PTV's integrity and professionalism in its early days. Nevertheless, the channel never managed to expand beyond national borders, and within the country itself, PTV started experiencing a serious decline in its prestige starting from the 1990s.

The lackluster performance of PTV – evidenced by the consistently declining net profits from PKR 1,226 million in 2019 to PKR 398 million in 2022<sup>1</sup> – vis-a-vis its counterparts deserves scrutiny. From constant government meddling to failure to cumbersome regulations to a flawed business model, the issues that have stymied PTV's growth and profitability are multi-faceted and entrenched in the channel's past.

While government influence and censorship had impacted PTV since its inception, it reached its zenith, during the 1990s when intense political rivalries, led to PTV being used to demonize their opponents. This period marked the start of the downward spiral of PTV, as political rather merit-based appointments were made at various levels that entrenched corrupt practices and led to deterioration



of human resources.<sup>2</sup> The downfall of PTV was further accelerated by the proliferation of dish antennas and access to other channels. Given insufficient financial support, PTV couldn't invest in modern technology and content production and was left unable to compete.

The public broadcaster has also been considerably impacted by bureaucratic inefficiencies and excessive regulations. Bureaucratic hurdles have led to a slow decision-making process and impeded PTV's ability to quickly adapt to changes in viewer preferences and technological advancements. For instance, the continued use of outdated technical equipment like Digital Video (DV) cameras<sup>3</sup>, isn't conducive to modern production. Furthermore, stringent regulatory controls on content and broadcasting imposed by Pakistan Electronic Media Regulatory Authority (PEMRA) have further stifled creativity and limited the diversity of programming.

Moreover, the channel's business model further exacerbates its struggles. PTV operates on a mixed funding model, relying on commercial advertisements as well as government grants. This model has turned out to be quite inefficient as the PTV has struggled to cover its operational costs, facing intense competition from commercial channels which are more attractive advertiser. Furthermore, overreliance on government funding comes with political strings attached, curtailing editorial independence. This political entanglement undermines PTV's credibility and prevents it from covering and reporting news fairly and impartially.

While PTV continues to grapple with these formidable challenges, the success stories of broadcasters like TRT, BBC, and Al Jazeera offer valuable insights into what can propel a state or publicly funded media outlet to global prominence. Foremost among them is the considerable financial support, which has allowed for heavy investment in human resources, technology, and content production. Immense financial support from the Qatari government has helped Al Jazeera expand beyond the Middle East into the Balkans, Turkey, and America. For its part, the BBC is funded by a television license fee, which has enabled it to maintain new bureaus across the globe and allowed the production of high-quality programs like *HardTalk* and *Head 2 Head*.

The wide-ranging content produced is a key element in the success of these broadcasters. Diverse content, from hard-hitting news and documentaries to dramas depicting cultural and historical heritage, helps cater to different interests and demographics. This then helps broadcasters in attracting and sustaining a loyal audience across the globe.

Perhaps one of the most prominent examples of such strategic content creation is the stellar success of TRT's historical drama series "*Diriliş: Ertuğrul*". Not only did the show gain immense popularity within Türkiye but it became a hit across the globe. In Pakistan alone, the dubbed version shown on PTV garnered more than 130 million views within the first 20 days of its release.<sup>4</sup> Due to its engaging storytelling and top-notch production, it became

a significant export, amplifying Türkiye's soft power and cultural influence. "*Ertuğrul*" has generated substantial revenue, earning around \$1 billion by 2023 from international sales, including licensing fees and merchandise.<sup>5</sup> In fact, *Ertuğrul* and shows like it have catapulted Turkey to the position of the third biggest exporter of scripted series in the world, behind only the US and the UK.

Similarly, Al Jazeera and BBC have built their reputations as globally renowned sources of news. The conducive environment created by their respective regulatory bodies, Office of Communication (Ofcom) and the Qatar Media Regulatory Authority (QMRA) has enabled an enduring commitment to editorial independence and journalistic integrity, building trust and credibility among the viewers. While Al Jazeera English alone is available in more than 310 million households across 150 countries<sup>6</sup>, the BBC World Service reaches almost 468 million people weekly<sup>7</sup>, considered to be one of the UK's most important cultural exports.

Ultimately, in order to tackle the various problems and improve its standing, and compete with global media giants, PTV needs to undergo a radical overhaul. As recently pointed out in the session on "Media and Image Building" at PIDE's Econfest, successful state-owned or publicly funded media across the globe leverage content and news to export their culture and cultivate a positive image internationally while earning a sizable amount of revenue.

Strategic investments in content quality and technological advancements are critical for media entities like PTV to thrive on the global stage. PTV needs to diversify its content and seek to create programs that resonate not only with domestic but also international audiences. Ensuring editorial independence is crucial for building credibility and trust. PTV needs to establish a clear framework that protects its editorial processes from political influence and excessive regulations, allowing for unbiased and high-quality journalism. Lastly, improving the quality of their human resources can enable PTV to hire, train and retain top-notch journalists, producers and editors, dramatically improving the delivery, format and quality of their content.

The need for strategic reforms is evident, and emulating the best practices from the success TRT, BBC, and Al Jazeera, PTV can emerge and transform into a significant player on the global media stage, showcasing Pakistan's culture, values, and perspectives to the world.

<sup>1</sup><https://www.dawn.com/news/1804055>

<sup>2</sup><https://thefridaytimes.com/30-Jul-2023/this-is-ptv-a-tale-of-woe-and-misery>

<sup>3</sup><https://thefridaytimes.com/03-Aug-2023/this-is-ptv-the-lights-have-gone-out>

<sup>4</sup><https://www.aa.com.tr/en/culture/turkish-ertugrul-tv-series-takes-pakistan-by-storm/1843726>

<sup>5</sup><https://www.isas.nus.edu.sg/papers/ertugrul-a-turkish-delight-forpakistan/>

<sup>6</sup>[https://en.wikipedia.org/wiki/Al\\_Jazeera\\_English](https://en.wikipedia.org/wiki/Al_Jazeera_English)

<sup>7</sup><https://www.mediaweek.com.au/bbc-reveals-its-biggest-global-audience-ever-468m-a-week/>

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# GEO-ECONOMIC DEXTERITY STARTS AT HOME

**Saddam Hussein**

Pakistan's geographical position is a double-edged sword, offering immense potential yet presenting significant challenges. Afghanistan remains unstable with no recognized government, relations with India are fraught and confrontational, and Iran is burdened by international sanctions. While China stands as a steadfast ally, this relationship is not without its geopolitical repercussions for Pakistan. PIDE argues that our longstanding focus on geopolitics and geo-security has been inherently flawed. Had we embraced a geo-economic perspective, our trajectory could have been markedly different.

To explore this critical issue, PIDE's third edition of EconFest in the capital city of Islamabad, featured an exclusive session dedicated to "Geo-Economics". The session brought together a distinguished panel including former ambassadors Aizaz Ahmed Chaudhry and Ashraf Jehangir Qazi, alongside Zafar Masud, the President and CEO of the Bank of Punjab, while your truly moderated the session. The panelists engaged in a deep analysis of Pakistan's past strategic missteps, emphasizing the excessive focus on security and political alliances at the expense of economic development. They explored how a shift towards geo-economics could harness Pakistan's geographic advantages for economic gain.

Before diving deeper, let's clarify the concept of geo-economics. It blends economic and geographic factors to shape global strategy and policy. After the Cold War, the focus shifted from military might to economic influence, driven by globalization. For

instance, through CPEC, China uses its economic power to build infrastructure and trade routes that enhance its strategic influence in South Asia. Similarly, the European Union's use of economic agreements to integrate Eastern European countries into its fold serves as a geo-economic strategy to expand its influence. Same is the case in America's Marshall Plan and now Beijing's BRI.

However, in Pakistan's policy corridors, the concept of geo-economics took its birth a couple of years ago, in the recent national security discourse. The term "geo-economics" has then emerged as a rallying cry, promising a recalibration long overdue. In the intricate web of globalization, avenues for progress have arisen time and again, yet Pakistan's response has often been hesitant. Rather than embracing these opportunities, the nation has clung steadfastly to antiquated alliances and borrowing practices, while its indigenous enterprises find themselves awe-struck in a labyrinth of bureaucratic hurdles and suffocating regulations, hindering their expansion and global reach.

CPEC is the first of the ventures for Pakistan that has the potential to catapult the country into the realm of geo-economics by leveraging its strategic location and fostering economic connectivity with China and beyond. It represents a transformative opportunity for Pakistan to embrace geo-economics. By linking Pakistan's Gwadar Port with China's Xinjiang region through a network of roads, railways, and pipelines, CPEC establishes a crucial trade route that not only facilitates economic exchanges between China and

Pakistan but also opens up access to broader markets in Central Asia, the Middle East, and beyond.

At its core, CPEC embodies the principles of geo-economics by leveraging economic infrastructure to drive geopolitical influence and economic growth. Through CPEC, Pakistan can position itself as a key player in regional trade and connectivity initiatives, capitalizing on its strategic location at the crossroads of South Asia, Central Asia, and the Middle East. By strengthening its economic ties with China and other countries involved in the Belt and Road Initiative (BRI), Pakistan can diversify its trade routes, reduce transportation costs, and attract foreign investment. This not only boosts Pakistan's economic development but also enhances its geopolitical significance as a vital node in regional trade networks.

Moreover, CPEC offers opportunities for Pakistan to develop its industrial and manufacturing sectors, create jobs, and upgrade its infrastructure. By investing in sectors such as energy, transportation, and telecommunications, Pakistan can enhance its competitiveness and attract further investment from international partners. However, CPEC should not be considered a nosh from heaven that will take care of all our problems. The key is channelizing CPEC the right way. Otherwise, its fate will be same as once known as "Great Indian Railways" – the grand project of its time, now in shambles.

Talking of neighborhood, it is unfortunate that Pakistan has historically struggled to carve out a significant economic or political footprint within its region. While the specter of conflict with India casts a long shadow, one must question whether this is primarily a matter of foreign policy or economic interests can open a window of opportunity? The dream of trade normalization with India tantalizes, yet as long as Bharatiya Janata Party (BJP) is in the power corridors, normalization in trade relations seems a difficult road to get on. It begs the question: should we invest effort in this ambitious pursuit, or redirect our focus to more achievable goals?

The untapped potential of regions like the Middle East and Central Asia beckons, yet Pakistani businesses remain largely hesitant to explore these markets. This raises a pivotal inquiry: why have we not forged stronger economic ties with our immediate neighbors? Similarly, trade with Africa and the Far East languishes, largely unexplored by Pakistani enterprises.

Is this reluctance born of apprehension or a dearth of necessary support structures? To surmount these obstacles, fostering a culture of entrepreneurship and bolstering assistance for local businesses is imperative. While our embassies house a substantial cadre of commercial officers and entities like the Ministry of Commerce and the Trade Development Authority of Pakistan (TDAP) concentrate on bolstering exports, the results remain modest.

This suggests the need for a reevaluation and potential restructuring of these endeavors to ensure they yield tangible outcomes.

In parallel, Afghanistan stands as a pivotal yet precarious bridge between South and Central Asia, playing a crucial role in Pakistan's geo-economic strategy. The U.S. withdrawal and the Taliban's resurgence have added layers of complexity to this scenario. On one hand, stability in Afghanistan could unlock trade routes, boosting connectivity and reducing transport costs between Pakistan and Central Asia. Projects like the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline promise to channel vital energy resources to Pakistan, fostering regional cooperation. However, the volatile political landscape and security concerns, including the threat of militant activity and cross-border terrorism, pose significant risks to these opportunities. Ensuring a stable and cooperative Afghan government is critical for long-term regional projects.

Similarly, Central Asian states, with their abundant natural resources and strategic locations, offer untapped potential for Pakistan. These nations are eager to diversify their economic partnerships away from heavy reliance on Russia and China. Enhanced connectivity via Afghanistan and CPEC can facilitate more efficient trade, opening markets and reducing costs. The energy riches of Central Asia, including oil and gas, present valuable import opportunities for Pakistan, with initiatives like TAPI and CASA-1000 paving the way for energy collaboration. Central Asian countries are also keen to attract foreign investments to bolster their infrastructure and industries, providing fertile ground for Pakistani businesses to explore joint ventures and investments.



Yet, the path to these opportunities is not without challenges. Logistical barriers, such as the lack of direct land routes and inadequate infrastructure, require collaborative projects to overcome. Regulatory differences and business practices can complicate trade and investment, necessitating harmonized regulations and an improved business environment. Additionally, Central Asia's strategic interest to major powers like Russia, China, and the U.S. introduces geopolitical complexities that Pakistan must navigate carefully while fostering economic ties. Balancing these dynamics with a deft touch in diplomacy is essential for Pakistan to capitalize on the geo-economic opportunities in this region.

Let me impress upon a sense of urgency that Pakistan teeters on the brink of a defining moment, poised to redefine its economic trajectory. Embracing geo-economics entails not just acknowledging the opportunities afforded by globalization but also summoning the courage to seize them. By integrating into regional markets, fostering new trade alliances, revamping economic diplomacy, and recalibrating investment strategies, Pakistan can aspire to a future marked by prosperity and resilience.

Towards the end of the session, the panelists converged on the argument that putting the house in order is the first step. We have to look inwards, without that our diplomatic and commercial efforts abroad would always meet a dead end. They apprised the audience that Pakistan's enduring struggle with economic and political instability has left it entangled in the perplexing enigma of unstable development. Since its inception, the economic performance of Pakistan has been marred by extreme volatility. This tells a lot about the character of our will as well as strategic planning. In one-liner, it can be said that it has all been just firefighting and the absence of long-term vision.

Economy thrives on transactions. Simplify these, and economic activity will flourish naturally. The government should act as an umpire, not a player. Running businesses isn't its job. Ignoring these critical issues renders any reform effort pointless. Without reform, our country stagnates. Without growth and development, how can we compete on the global economic stage?

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# STUNTED GROWTH: THE ECONOMIC STALEMATE OF PAKISTAN'S BUSINESS LANDSCAPE

Abbas Murtaza Maken

As nations across the globe, particularly within the developing world, experience rapid economic advancements and entrepreneurial breakthroughs, Pakistan finds itself at a critical crossroads. The country's business landscape remains severely constrained, characterized by a longstanding dominance of companies led by seths and their families. A lacklustre economic growth rate, dismal per capita GDP, and various structural and institutional barriers have perpetuated a cycle of stagnation and inertia.

The stagnancy of the local business environment becomes evident through the research carried out by the Pakistan Institute of Development Economics (PIDE). In the 1960s, 22 families controlled 66% of the country's industrial assets. By 2021 this number had barely expanded, with 31 families now dominating the Pakistan Stock Exchange (PSX). Exacerbating the situation even further, the KSE-100 index is filled with directors close to these 31 families,<sup>1</sup> consolidating an exceedingly small "elite club" that possesses disproportionate economic might and influence in a country of over 240 million people. This dominance by a select few thwarts new entrants and undermines competition, severely limiting the potential for entrepreneurial ventures to emerge.

Illustrating this point, discussions at PIDE's Econfest session on "Stunted Seth-State Owned Companies" highlighted that only 6-7 companies in Pakistan have a market capitalization above \$1 billion,<sup>2</sup> while the highest valuation company, OGDCL has a market cap of

around \$2 billion.<sup>3</sup> This is a mere fraction of the market capitalization of the biggest Indian companies like Adani and Reliance which exceeds \$200 billion.<sup>4,5</sup> In fact, in February 2024, Tata's market capitalization alone was estimated to be around \$365 billion, larger than Pakistan's entire economy.<sup>6</sup>

Adding to the already dismal business environment is the paltry rate of economic growth. From FY13-14 to FY23-24, Pakistan's average GDP grew by a mere 3.51%, which has had profoundly negative implications on the business environment. The situation becomes even more bleak when per capita GDP is considered, especially vis-à-vis our regional counterparts. Both Bangladesh – part of Pakistan until 1971 – had a lower per capita GDP till 2015, and India used to have a lower per capita GDP in the 1990s and early 2000s till 2008.<sup>7</sup> However, ever since, both countries have overtaken Pakistan and the gap has continued to grow wider, with the average Bangladeshi now being 1.69 times richer than the average Pakistani, and the average Indian being 1.52 times richer. This stark difference underscores how on average, Pakistani consumers have comparatively less disposable income to spend which in turn has led to a decrease in the overall market demand.

Not only does the lower demand reduce the business revenues and reduce their attractiveness to lenders due to the higher risk of default but also limited domestic savings, constraining capital availability in the financial system, exemplified by a low 18% credit to GDP ratio in Pakistan. This along with stringent government

regulations, licensing requirements, and heavy protectionism, has inhibited new market opportunities and severely limited the scope of business expansion in Pakistan as opposed to its regional peers.

Besides, low prioritization of Research and Development (R&D) has led to limited innovation and product development due to the tendency of local businesses to adopt a risk-averse mindset. In sharp contrast, entrepreneurial success stories like Elon Musk, Steve Jobs, and Bill Gates showcase how overcoming personal adversity and embracing risk can result in trailblazing innovations that dramatically alter the course of humanity as seen in ventures like Neuralink, Tesla, Apple & Microsoft. The absence of platforms like "Shark Tank", which have been pivotal in promoting entrepreneurship in other countries, underscores the absence of an entrepreneurial culture in Pakistan. For instance, "Shark Tank India", has accelerated startup growth through providing visibility and funding opportunities.

Furthermore, Pakistan, despite having the fifth youngest population globally, with over 60% under 30, there has been very little entrepreneurial activity among Pakistani youth their part. A core reason for this is the paucity of industry-academia linkages which prevents students from upskilling themselves per industry needs and inhibiting a vital source of talent development. Poor coordination between industry and academia also means that startups don't have access to much-needed funding, and expertise, stymieing entrepreneurial activities and innovation.

Ultimately, the doldrums in which businesses find themselves in Pakistan are multifaceted and entrenched in structural, institutional, and cultural factors. Addressing these issues necessitates wide-ranging reforms. By learning from international best practices, promoting competition, privatization, credit provision, R&D, fortifying industry-academia linkages, and tapping into its youthful population, Pakistan can embark on a journey where businesses can finally become unstuck and flourish while paving the way for sustainable economic growth and development.

<sup>1</sup><https://pide.org.pk/research/a-small-club-distribution-power-and-networks-in-financial-markets-of-pakistan-policy/>

<sup>2</sup><https://www.brecorder.com/news/40277962>

<sup>3</sup><https://dps.psx.com.pk/company/OGDC>

<sup>4</sup>[https://business-standard.com/article/companies/reliance-industries-becomes-first-indian-firm-to-top-200-bn-market-cap-120091001546\\_1.html](https://business-standard.com/article/companies/reliance-industries-becomes-first-indian-firm-to-top-200-bn-market-cap-120091001546_1.html)

<sup>5</sup>[https://www.business-standard.com/companies/news/adani-group-mcap-regains-200-bn-mark-as-co-rebuts-coal-invoicing-claims-124052201598\\_1.html](https://www.business-standard.com/companies/news/adani-group-mcap-regains-200-bn-mark-as-co-rebuts-coal-invoicing-claims-124052201598_1.html)

<sup>6</sup><https://www.thenews.com.pk/print/1159544-tata-s-market-cap-surpasses-pakistan-s-gdp-report>

<sup>7</sup><https://datacommons.org/>

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# THE UNBEARABLE COST OF LIVING

Henna Ahsan

Things cost too much, or cannot be afforded as these are in two ways to look at the problem. However, nowadays everyone seems to complain about rapid price escalation of goods & commodities and services, whereas economists usually see inflation as a sign of growth which means that more people are spending therefore the demand of the things is rising. However, in a country like Pakistan simple economic rules do not seem to apply in a plain manner as here almost half of the economy and businesses are undocumented. We have seen a significant rise in the prices of basic commodities in last few years as on the other hand income increase has been minimal. Jalil et al., (2022)<sup>1</sup> also maintained that costs of about hundred products have increased significantly since last year.

Therefore, this high rise in goods' prices raises many questions that need to be addressed as will this inflation stop, what are the main contributors causing the inflation, who controls the inflation and what are some ways to control it.

Pakistan has been experiencing a visible surge in inflation since 2020. Historical trends show that Pakistan's inflation has been consistently high. Although currently, inflation calculated by Consumer Price Index (CPI) has decreased to 26.0% in 2024 from 28.2% in 2023, but urban CPI inflation increased from 25.9% to 26.3% during the last year.

Figure 1: Trend of Consumer Price Index Inflation over the Years



Source: Pakistan Economic Survey 2023-24

The contrasting nature of this impact is rooted in several factors, the most critical of is the gap between aggregate supply and demand in Pakistan. The aggregate demand has been increasing due to the demographic structure and increase of monetary income. In particular, it is the nature and extent of the dependency ratio of a country's population—the proportion of young age population (below 15 years of age) and old age population (over 64 years of age) to total population which affects inflation outcomes (State Bank report, 2024). Both the young and old cohorts of a population contribute to aggregate demand without providing labour and thus do not contribute to aggregate supply as 31% of young graduates are unemployed whereas share of young population is 60% (Haque and Nayab, 2022)<sup>2</sup>.

<sup>1</sup>Jalil, A., Rao, N. H., Hasan, M. U., & Mirza, F. A. (2022). Inflation Analytics (No. 2022: 6). Pakistan Institute of Development Economics.

<sup>2</sup>Haque, N., & Nayab, D. (2022). Opportunity to Excel: Now and Future, PIDE Report.

The other factors causing inflation include exchange rate depreciation, as exchange rate goes up, the imported goods become more expensive. Since the cost of imported goods increases the cost of production that affects domestic pricing and hence raises the inflation. Estimates show that, with 1% exchange depreciation in exchange rate caused the inflation to rise by 14 to 16 basis points. Apart from exchange rate depreciation, other major factors contributing to inflation is surge in petroleum price and increased government's borrowings. Either these borrowings are from foreign donors or through commercial banks that raises the interest rate and crowds out the private investors or it is taken through the central bank through printing money leading to inflation as "too much money chases the few of goods". The elasticity of inflation with respect to the government borrowings shows that the inflation may rise 100 bps with a 10 percent increase in the government borrowing (Jalil, 2021)<sup>3</sup>. If this borrowing is used for productive purpose its impact on inflation is small but in case of Pakistan the most of borrowing is done to compensate budget deficit or for repayment of loans.

Now the next question that needs to be addressed is who controls the inflation? Do government's interventions like price control committees, DC price list etc. help to mitigate the problem. Answer is, yes to some extent. In fact, many economists are of the view that the market should be left to its self-adjustment phenomena and have minimum interference regarding any price controls. According to the economists on State Bank intervention to handle inflation by increasing interest rate to reduce aggregate demand may reduce inflation to some extent, but on other side it ultimately causes to increase in the government debt and private sector's cost of production. That is why when State Bank controls inflation by increasing interest rate it may reduce the growth rate of country.

Whereas, goal of the country should focus on welfare and prosperity of its people through monetary, fiscal and trade policies meant to promoting economic environment for higher growth rate. Therefore, interest should be used as an instrument only when per capita income of a country reaches a certain level as these policies are only used to speed up sustainable growth, but also boost welfare and prosperity of the common masses. On fiscal side, besides increasing tax-net, the public expenditure should be controlled particularly the non-development expenditure through cutting down all unnecessary perks, privileges and amenities right from naib tehsildars' level to ministers, prime minister, chief ministers, governors and president. On trade side, besides increasing total volume of exports, value added/qualities of exports should have to be improved and be diversified and dependence on imports should be reduced to a significant level. While a business-friendly environment can contribute to lower inflation by enhancing supply, reducing costs, and fostering competition. Therefore, the government should reduce the over regulation like plethora of unnecessary NOC's for new startups and provide the enabling environment for businesses as it will not help to fulfil the domestic demands of the economy but will also enhance the export of goods and services.

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# WHERE DO THEY SPEND MY TAXES?

Karim Khan and Mahmood Khalid

Pakistan economy has been trapped into stagflation since the last three years amid low growth prospects, persistent macroeconomic imbalances, and enlarged vulnerabilities of a sizeable fraction of the populace. Among these, growing fiscal deficit is one of the fundamental causes of Pakistan's structural economic woes. Pakistan is faced with a fiscal deficit of around 7.6% of GDP for financial year 2023-24, calling for more borrowing in the current fiscal year and enlarging the future liability. Persistence in fiscal deficit is caused by both a flawed tax system and unproductive spending behavior of the successive governments. Pakistan's tax system is regressive, complex, and inefficient which is not only costly but also encouraging a wider tax evasion and informality in the system. Likewise, Pakistan's public expenditure system is characterized by a huge volume of current outlay exacerbated mainly by a huge size of the public sector, excessive interest payments, loss-making State Owned Enterprises (SOEs), and burgeoning circular debt, all implying little fiscal space for development spending. This setup has cumulatively caused the country's debt to GDP ratio to reach to around 80% of GDP, which is much higher than the limit of 60% as is fixed by the Pakistan's Fiscal Responsibility and Debt Limitation Act of 2005. In nutshell, we need fiscal sustainability which can be attained with broader structural reforms like enhancing efficiency of the tax and expenditure system, removing exemptions and distortions in tax policy, and rationalizing public spending etc. One specific but very relevant question in this regard would be to think over where do we spend our meagre resources or taxes. In this essay, we are focusing on this aspect but, before going to that point, let us briefly explain the basics of our tax structure.

As far as the current tax structure is concerned, all individuals, unregistered firms, association of persons, etc. are liable to pay tax, at rates ranging from 10 to 35 percent. Likewise, all public companies (including banking companies) incorporated in Pakistan are assessed for tax at different corporate rates. The effective rate for each type of company is likely to differ on account of allowances and exemptions related to industry, location, exports, etc. Based on the data from 2022-23, overall, direct taxes contributed around 40 percent of the total tax revenue (40.7% in 2022-23 of Rs. 7470 billion). Income tax is 98.8% of direct taxes, with three types of income tax are currently in practice (4.4% is out of demand, 29.7% is voluntary payments, 67.5% is withholding tax). The corporate tax rate currently stands at 29 percent, averaging at 33.51 percent from 1997 to 2023. It was all time high at 43 percent in 2000 and a record low of 29 percent since 2021. In addition, for banking companies, the standard corporate tax rate is 39% (raised from 35% effective from July 1, 2022). Tax is levied at increased rates ranging from 39% to 55% on the taxable income of banks attributable to investment in federal government securities. For small companies meeting certain conditions, the tax rate is 20% (reduced from 21% effective July 1, 2022). A total of 50,000 companies are filing their annual income tax returns out of over 100,000 entities registered with the SECP as is stated in World Bank financed Pakistan Raises Revenue Project (PRRA). In addition, there is also a super tax which applies at different rates for different levels of income. For 2023-24, the super tax applies at a higher rate of 10% for banking companies where income exceeds Rs. 300 million. A minimum tax is payable at 1.25% of

turnover. An alternate corporate tax (ACT) also applies, where the minimum tax liability of the company is determined as the higher of 17% on accounting income or the corporate tax liability including the minimum tax on turnover. Despite these high tax rates, Pakistan has been facing persistence in fiscal deficit for most of its history, with having one of the World's lowest tax-to-GDP ratio (around 10.4% for financial year 2022-23). In other words, our tax system though comprehensive but is inefficient.

Inefficiency directly stems from the tax system, which is characterized by complexity, narrowness in base, low compliance, inefficient administration, and declining provincial tax revenues. It has led to widespread discretion and corruption, with inequitable exemptions and preferential treatments, low tax registration, and massive tax evasion. The outcome is a regressive tax system (indirect taxes make up around 60% of total taxes), with too much dependence on withholding taxes. Indirect taxes combined with a corporate income of around 29% create anti-growth bias by shaping distortions in resource allocation. Likewise, tariff policy has strangled competition and growth, with the average effective tariff rate (11.2%) being the highest in the region. Moreover, as stated earlier, 68% of direct taxes are derived from withholding taxes, with the share of direct taxes in total revenue decreases significantly if we exclude withholding taxes. Along with these issues, Pakistan's tax collection is costly; excessive documentation raises the cost of compliance too; PIDE estimated, on average, for each business the annual compliance cost is more than Rs. 250,000, irrespective of the business size. While on the exemptions side the system has been extravagant; from around Rs. 35 billion in 2000, tax expenditures have been swelled to Rs. 2.24 trillion in financial year 2022-23.

With regard to spending, Pakistan has been a spend-thrift economy, especially with regard to current expenditure which are increasing consistently. Over time, Pakistan has experienced spread in size of the government, with proliferation of ministries, government departments, and various agencies, which has imposed a substantial cost in terms of salaries, benefits, and pensions. In addition, interest payments, defense spending, and subsidies has been ballooned. If we look at the budgetary figures for financial year 2024-25, of the gross revenue of Rs. 17.815 trillion, the federal government will have a net amount of Rs. 10.377 trillion after transferring Rs. 7.438 trillion to the provinces under the National Finance Commission (NFC) award. Given an allocation of Rs. 9.775 trillion to debt-servicing, it implies that almost all other heads like defense spending, pensions, running of the civil government, Public Sector Development Program (PSDP) etc. are to be financed by borrowing. This in other words implies that around 45% of the total budgetary outlay is financed through borrowing. Second, there is a sizable footprint of the government in the economy, with around 212 State-Owned Enterprises (SOEs) are operating in various sectors. Overall, the government's footprint in the economy exceeds 60% of the GDP as

is estimated by PIDE. It has also puts a significant drain on the budgetary resources, with their annual losses reaches to around Rs.1.8 trillion for the financial year 2022-23. The budgetary impact of SOEs has climbed from 9.2% of the budget in 2000 to 46.2% in 2022-23 because of payments to Independent Power Producers (IPPs). Third, Pakistan's power sector, dominated mainly by public limited companies, is facing severe financial crisis as their circular debt, the amount of money that the government owes to power producers and fuel suppliers, has reached to Rs. 2.6 trillion by the end of October, 2023. With regard to its budgetary impact, the ministry of energy has recently demanded Rs. 1.234 trillion power subsidies for the next fiscal year (2024-25) which is 26% higher than the original allocation of Rs. 976 billion for the current fiscal year (2023-24). This regime of subsidies is not limited to the power sector but extends beyond to extensive exemptions and concessions, tax breaks, cheap input prices or higher output prices, preferential access to land, capital, and services etc. For instance, tax expenditure mentioned above can broadly be defined as the revenue foregone due to various exemptions and concessions in tax laws constitutes to be Rs. 2.24 trillion for financial year 2022-23 amounting around 24% of the gross tax revenue for the same financial year. Mostly, these exemptions are awarded to the elite section of the society. Overall, around Rs. 2.6 trillion are spend each year on the privileges and benefits enjoyed by the powerful interest groups in Pakistan as is estimated by the United Nation Development Programme (UNDP) in the National Human Development Reports (NHDR), 2020. This is close to 7% of the GDP compared to the spending of 5.4% of the GDP on debt-servicing, 4.1% on defense, and just 3.5% on the provision of social services. All these add to the wasteful expenditure that Pakistan has been incurring persistently since its inception. Finally, regulatory mechanism in the country is faulty which has been eating a handful of budgetary resources. PIDE, in its Sludge Audit, has estimated that cost of regulations in the country is around 45% of the GDP.

What needs to be done? I would like to posit that introducing structural reforms in true letter and spirit is the need of the hour, with clear goals of fiscal sustainability and macroeconomic stability in the short and medium terms, receptively, and sustainable economic growth in the long run. First, besides looking for additional revenue streams as also desired recently by the IMF, measures such as removing preferential tax credits and exemptions, enhancing tax base and registration by simplifying the mechanism, introducing agricultural income tax, harmonizing the sales tax regime, and rationalizing public spending would serve the purpose. Second, circular debt of the power sector and losses of the SOEs must be curtailed. Reducing generation cost and capacity charges, cost-effective pricing, improving transmission and distribution mechanism, introducing competitive practices in energy market, ensuring energy efficiency along with corporate governance would ameliorate the circular debt. Likewise, reforms like

corporate governance, market-based induction of CEOs, joint ownership structure, and privatization of irremediable SOEs would eliminate leakages in SOEs. For sustainable growth in the long-run, we need investment, especially Foreign Direct Investment (FDI), which can raise our labor productivity and overall growth capacities. Likewise, we need exports which, along with upscaling our growth potentials, can cope with our external sector shortages. In this regard, reforms that can guarantee external sector liquidity, maintain market determined exchange rate, improve our sovereign credit rating, and mobilize domestic revenues are of utmost importance. Most of these reforms, however, need a certain political will. In other words, economic viability of the country needs to be the fundamental theme of political discourse. Reforms in political market must be initiated that can enhance the accountability of our political elite, on one hand, and solve the problems of collective action and free riding with regard to unbridled subsidies, Statutory Regulatory Orders (SROs) and several other forms of regulatory abuse, on the other.

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# ISLAAH BEYOND IMF

Muhammad Faisal Ali

## CONTEXT:

Pakistan's economic stability has long been precarious, which is why the country's economic history over the past decades has been marked by frequent recourse to IMF assistance. Entering its 24th IMF program accentuates the severity of its financial struggles. Over the next five years, Pakistan's external financial requirements will exceed USD 120 billion, creating a significant gap that even the most optimistic IMF projections may struggle to bridge.

This recurring reliance on IMF assistance highlights the persistent structural issues and cyclical financial crises that have plagued Pakistan for decades. The frequency with which Pakistan turns to the IMF is not just a symptom of immediate fiscal shortfalls but a reflection of deeper, systemic inefficiencies and governance challenges that must be addressed to achieve long-term economic resilience. Despite numerous interventions, the underlying problems continue to resurface. The IMF's repeated recommendation to raise taxes has

proven ineffective in the past and is unlikely to succeed in the future. This indicates that Pakistan requires more profound and sound economic reforms based on local research and tailored solutions.

The reliance on IMF programs indicates a broader issue of fiscal irresponsibility and lack of structural reforms. Despite these programs, Pakistan's growth has remained lackluster and sporadic, failing to meet the needs of its young and rapidly growing population. The output gap and the underlying economic weaknesses that need to be addressed through more than just financial injection.

Pakistan Institute of Development Economics (PIDE) outlines a comprehensive reform agenda to address these deep-rooted problems<sup>1</sup>. PIDE believes that at this time IMF program is a necessity. It also believes that restructuring debt will be difficult and time-consuming. But, PIDE stresses the necessity for reforms that go beyond the superficial adjustments typically mandated

by IMF programs. It calls for a systemic overhaul that addresses the root causes of economic instability, including governance issues, policy inconsistencies, and structural inefficiencies.

Pakistan's rapidly growing population, with nearly 4 million new entrants to the working-age population each year, necessitates the creation of almost 2 million job opportunities annually. This rate of labor force participation requires ample employment opportunities. Additionally, Pakistan's mounting debt burden needs to be addressed. To reduce the debt burden and create sufficient job opportunities, Pakistan must sustain a growth rate of at least 7 to 8 percent. PIDE estimates that achieving this target requires an investment equivalent to 28.8 percent of GDP (based on ICOR), nearly double the current level. Meeting this investment demand calls for significant enhancements in domestic savings rates and foreign direct investment (FDI) inflows. Prioritizing investment necessitates substantial deregulation, efficient and functional markets, and digital governance.

Pakistan's journey towards economic stability and growth requires a comprehensive and sustained reform agenda that goes beyond short-term fixes typically suggested by IMF and foreign consultants. PIDE's proposed interventions aim for more ambitious targets than those set by the IMF. We aspire to achieve official reserves covering 4 to 5 months of imports within three years and eliminate the financing gap in the same period. We aim to reduce inflation to 10 percent within 18 months and cut the fiscal deficit by 4 percentage points by the end of three years. Additionally, we plan for a steady decrease in the primary balance, reaching 1 percent. These targets reflect a commitment to robust economic stability and growth, surpassing conventional benchmarks.

Here we present the details of PIDE's proposed interventions:

## MODERNIZING REGULATORY FRAMEWORK:

Clear rules with digitization, not permissions, are needed. Permissions cost us time and resources, while documentation costs are huge. Therefore, we must end bureaucratic control and the need for permissions, certificates, and similar requirements. Pakistan should move away from the colonial bureaucratic style of governance, as this outdated model hinders growth and the development of a strong economy. So, a fundamental aspect of the proposed reforms is the modernization of the regulatory framework. This involves creating independent regulatory bodies free from political interference, and ensuring that regulatory decisions are made based on merit and economic rationale.

An urgent cabinet decision is required to eliminate all registrations, licenses, certificates, and other permissions (RLCOs) within three months, except for those related to prohibited activities. In the meantime, new RLCOs should be prepared with a clear cost-benefit analysis and presented to the cabinet. After three months, only newly approved permissions, if any, will be valid. Moving forward, Pakistan needs an Office of Management and Budget similar to that in the USA and should introduce a Paperwork Reduction Act, akin to the one introduced in the USA in 1980.

Regulatory Impact Analysis (RIA) must be mandatory for all future regulations. Cabinet and Parliament should require RIAs before approving any regulation. Additionally, current regulations must undergo regular RIA assessments to ensure their continued effectiveness and relevance. No new rules should be proposed without a proper cost-benefit analysis presented to the public, parliament, and cabinet. The Planning Commission should lead regulatory modernization efforts by conducting regular RIAs across all sectors, ensuring that all new regulatory proposals are reviewed by the Central Development Working Party (CDWP) with an accompanying RIA before reaching the Cabinet.

## FISCAL CONSOLIDATION:

We have pursued increased taxes through all IMF programs and consistently failed due to a cumbersome, distortionary, and volatile tax system that creates significant uncertainty in the economy. Government expenditures and balance sheets are often overlooked, to our extreme detriment. It is urgently necessary to simplify taxes in this budget in a revenue-neutral manner and maintain stability for the next ten years without introducing new taxes annually. There should be a uniform tax rate across all sources of income, including agriculture income. The presumptive tax regime should be ended and taxes on turnover, such as Alternative Corporate Tax, should be eliminated. Uniform taxes should be applied to AOPs, sole proprietors, and corporations. Inter-corporate dividend income and assets sold within a year should be treated as normal income. Withholding taxes should be eliminated in favor of advance income tax. Concessionary financing and discriminatory fiscal incentives between businesses should cease. Tax administration should be automated and streamlined to minimize human interaction. Abolish the distinction between filers and non-filers, and the use of FBR rates for property valuations. A responsible and accountable tech-savvy group should be allowed to collect revenue, with an independent service knowledgeable in technology and modern auditing techniques overseeing the process. Audits of tax returns for first-time filers should be halted for the next five years.

Effective fiscal consolidation is more than just increasing tax revenues. It requires a holistic approach that includes rationalizing public expenditures, use of assets, reducing waste, and improving the efficiency of public sector investments. The goal is to create a sustainable fiscal environment that supports long-term growth.

## THE STATE CAPTURED ASSETS AND LAND:

The state-controlled real estate sector represents a significant but underutilized asset. Government assets, such as roads, convention centers, stadiums, and auditoriums, have been built but are not being utilized for high returns. While the IMF focuses on income statements, immense value lies in the effective utilization of these assets. Efficient utilization of these assets could unlock substantial economic value

The utilization of state-captured real estate presents a significant opportunity for economic growth and development. The potential value of real estate is staggering, amounting to PKR 2,278.6 billion with 17,471 government houses occupying 1,325 acres of prime land in Islamabad only. If monetization on market rate is made for house rents it would be ranging from 135.9 billion to 741 billion rupees, depending on rental values varying from lowest to highest. Moreover, reimagining the zoning regulations to accommodate high-rise mixed-use developments, incorporating public and green spaces, could unlock even greater potential. This strategic approach could attract over USD 58.8 billion in investment, create 351,000 job opportunities, add 44.4 million sq. ft of commercial space, and generate an annual rental income surpassing Rs. 446.8 billion. Such endeavors have the potential to generate tax revenue ranging from PKR 160 to 300 billion. Such initiatives not only optimize the use of valuable land but also stimulate economic activity, fostering a vibrant and sustainable urban environment for the future. Furthermore, by adopting a public-private partnership model, the revenue generated could be significantly amplified. However, executing this vision requires meticulous planning and thoughtful consideration to ensure its success and sustainability in the long run.

Expanding upon the initiative to assess and utilize state-captured land, a comprehensive examination of all underutilized state-owned assets is imperative. Relying on taxation to finance such assets warrants scrutiny. Establishing a high-level professional commission tasked with developing an asset register and devising mechanisms for optimal asset utilization is essential. Leveraging public-private partnerships can significantly enhance the effectiveness of this endeavor, allowing for innovative approaches and maximizing resource utilization. This concerted effort ensures prudent management of state assets while fostering economic growth and efficiency in resource allocation.

## ACHIEVING SUSTAINED GROWTH THROUGH MARKET REFORMS:

For effective, efficient, and functional markets, PIDE prioritizes and suggests reforms in the energy, real estate, banking, and financial markets, along with the liberalization of agricultural markets.

**Energy Market Reforms:** Circular debt, inefficiency, and mismanagement have plagued the sector for years. Proposed reforms include the commercialization and corporatization of energy companies, improved governance through independent boards, and the introduction of competition in the energy market.

Governance Reforms	Commercialization and Corporatization	Policy Revisions
Establishing independent, empowered commissions to oversee the energy sector is essential. These commissions should comprise technocrats and operate under the supervision of parliamentary committees to ensure accountability and transparency	Mandatory disclosure of all energy companies on the stock market with limits on shareholding is recommended to ensure broad-based ownership and prevent monopolistic practices. Management contracts should be considered to bring in expertise and improve operational efficiency	Rationalizing the number of power entities and revisiting the uniform tariff policy are necessary steps to improve the efficiency of the power sector. Tariffs should reflect the actual cost of services, and subsidies should be provided through direct cash transfers rather than through cross-subsidization

## REAL ESTATE MARKET:

The real estate sector requires significant reforms to become more dynamic and market-oriented. Key measures include creating a transparent property market, improving land administration systems, and ensuring efficient and fair real estate transactions. It's crucial to move beyond the narrow focus on "Plotistan" or Housing Societies and recognize real estate as encompassing major construction projects that develop city centers and commercial areas. This shift is vital for urban development, necessitating the deregulation of downtown areas to facilitate large-scale investments and revitalize urban cores. Implementing flexible building regulations, especially regarding building heights within city limits, is essential to curb urban sprawl and promote sustainable development, aligning real estate strategies with the evolving needs of modern cities.

Currently, the real estate market is fragmented and plagued by insider trading (qabza) and artificially administered prices set by DC rates and FBR valuations. Multiple land rates for taxation purposes create barriers to market development, while regulatory incentives have fostered information hiding, exacerbating market opacity. Real estate agents wield significant influence, and file trading has become prevalent due to regulatory negligence. Zoning rules contribute to urban sprawl and market segmentation, highlighting the need for a reevaluation of urban planning strategies. Addressing these challenges could unlock significant revenue gains, estimated at up to PKR 300 billion, and foster a more transparent, efficient, and sustainable real estate market.

To revolutionize the sector, several decisive measures are essential. Abolishing FBR valuation and DC rates will eliminate artificial pricing barriers, enhancing market transparency. Regulating file trading under the Securities and Exchange Commission of Pakistan (SECP) as securities will curb speculative practices. Separating regulation from the real estate business will mitigate conflicts of interest and enhance oversight effectiveness. Organizing the real estate brokerage industry ensures ethical standards and consumer protection while updat

ing rental laws will foster a fair and stable rental market. Relaxing zoning regulations for vertical and mixed-use development across all cities promotes urban density and efficient land use, fostering transparency, efficiency, and sustainable growth in the real estate sector.

## BANKING AND FINANCIAL SECTOR:

To support economic growth, the banking sector must address high non-performing loans, regulatory hurdles, and the crowding out of private credit by government borrowing. Developing non-bank financial entities and easing entry into banking will enhance competition, innovation, and financial inclusivity. Encouraging local, regional, and thrift institutions promotes local economic development. A robust foreign exchange market ensures currency stability and facilitates trade and investment. Expanding the network of primary dealers boosts market liquidity and efficiency. Together, these measures create a dynamic, resilient financial ecosystem, empowering individuals and businesses and fostering economic growth and stability.

## LIBERALIZING AGRICULTURE MARKETS:

Agriculture is a vital part of Pakistan's economy, yet it suffers from inefficiencies and a lack of modernization. To enhance productivity and ensure food security, liberalizing the agricultural market, removing market-distorting subsidies, and encouraging private sector investment are essential. Key reforms include discontinuing support prices and abolishing commodity operations to let market dynamics dictate pricing, fostering competition and innovation. Eliminating seed registration and testing in favor of market-driven brand reliability will streamline the agricultural inputs market. Ensuring rules for truth in labeling and setting up seed companies promotes transparency and accountability. Clear penalties for malfeasance will safeguard market integrity. Encouraging private storage through five-year tax incentives for certified facilities will improve storage infrastructure, while the government should exit the storage business to allow private enterprises to thrive. These measures collectively aim to create a robust, transparent, and efficient agricultural market.

## WAY FORWARD: A THOUGHTFUL MARKET ECONOMY:

PIDE emphasizes for a transition into a serious market economy, it must adopt policies that promote competition, innovation, and private sector growth. This includes:

**Developing a Shareholder Economy:** Encouraging broader ownership of businesses and involving institutional investors can create a more resilient and inclusive economy. This approach aligns the interests of shareholders with long-term economic growth and stability.

**Enhancing Branding and Innovation:** Promoting innovation and value addition through branding can significantly boost Pakistan's competitiveness in the global market. This requires investment in research and development, fostering an entrepreneurial culture, and supporting startups.

**Liberalizing Markets:** Liberalizing various markets, including the energy, real estate, and agriculture sectors, is crucial for enhancing efficiency and productivity. This involves removing unnecessary regulatory barriers, promoting competition, and ensuring that market transactions are transparent and fair.

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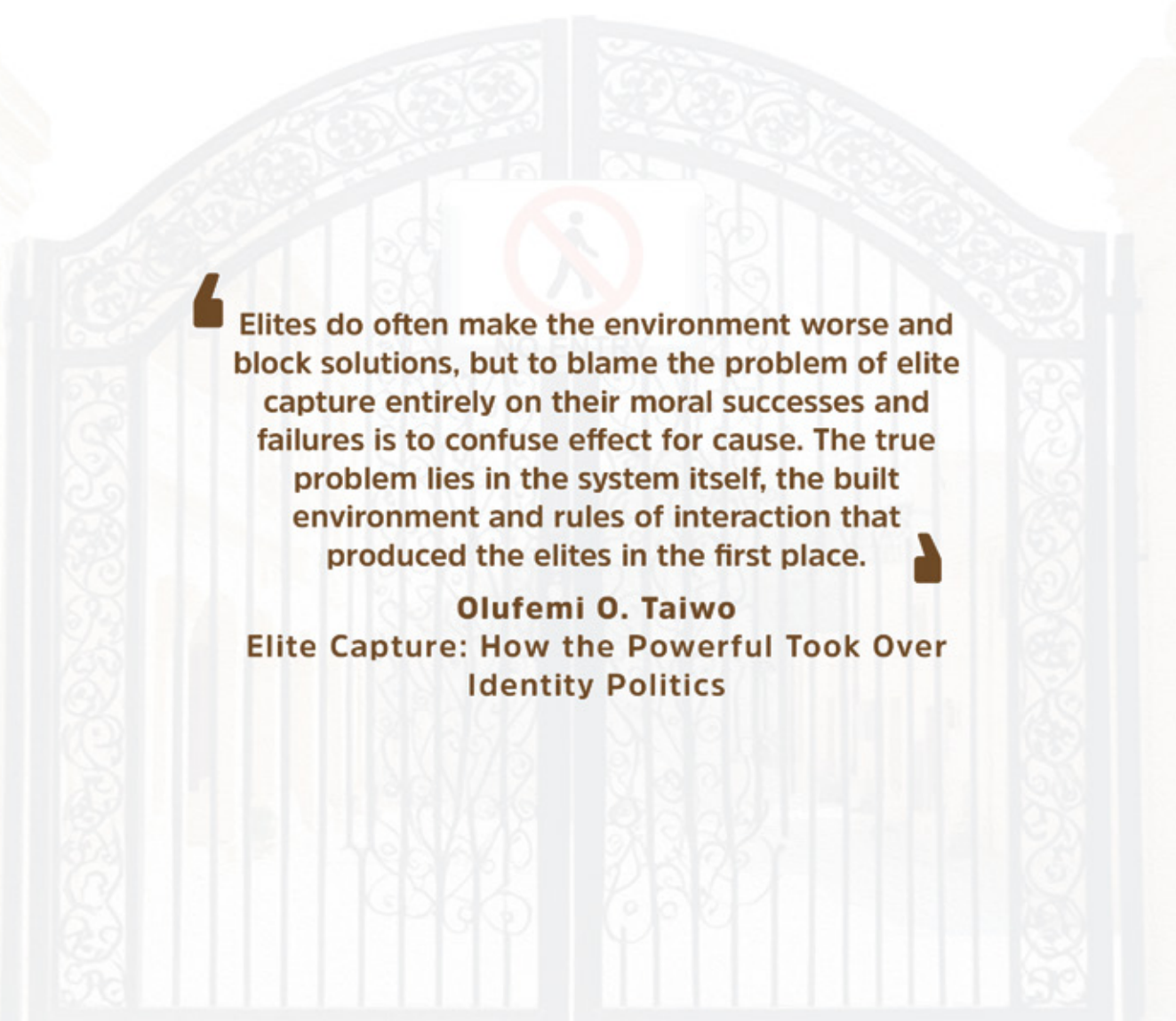




Pakistan Institute of Development Economics

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**Elites do often make the environment worse and block solutions, but to blame the problem of elite capture entirely on their moral successes and failures is to confuse effect for cause. The true problem lies in the system itself, the built environment and rules of interaction that produced the elites in the first place.**

**Olufemi O. Taiwo**

**Elite Capture: How the Powerful Took Over Identity Politics**