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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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