THE ELITIST GROWTH MODEL[1]

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In his seminal essay *The State in Post-Colonial Societies*, Hamza Alavi advanced the concept of the "overdeveloped state," in which a military-bureaucratic oligarchy exercises disproportionate influence, keeping indigenous social classes subordinated and regulated. In the aftermath of independence, a relatively weak domestic bourgeoisie found it difficult to assert control over an already sophisticated state apparatus. Consequently, an alignment emerged among the indigenous bourgeoisie, neo-colonial interests, and the landed elite to pursue their shared class interests.

This paper does not claim the theoretical depth or intellectual rigor of Alavi's work. It is, rather, a practitioner's reflection—an attempt to articulate what may be termed an "elitist growth model," drawing upon comparative development experience and long engagement with Pakistan's economic evolution. Instead of employing an ideological lens, the analysis uses the shared-growth trajectories of Japan, Korea, Hong Kong, Singapore, ASEAN countries, China and Viet Nam as the aspirational benchmark against which Pakistan's experience can be contrasted. The main insight which I gained from these trajectories is that the binary between state and market is outdated and has become irrelevant. Except one or two countries on the fringe in the world neither neoliberalism nor full ownership of means of production by the state can be found in practice.

What is needed and has worked well is a strong and capable state , and competitive functioning markets working closely in collaboration to achieve the stated goal of sharing the benefits of rapid economic growth with the majority of the population. There are strong inter dependencies between the two. If the state does not collect taxes due from the private economic activity it is not in a position to provide education, skills training, health, drinking water, social protection and other essential public services to uplift the living conditions of the poor and marginalized segments of the population.

These ideas led me to use the experience of the above set of countries with that of Pakistan in developing the elitist growth model which appeared first in *Pakistan: The Economy of an Elitist State* (1999) and updated in the 2021 edition. The post 1990s experience of india and Bangladesh buttressed the argument that South Asia could also benefit following the same model.

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Of course, the shortcomings of this model have since become apparent. While the number of people living below the poverty line in developing countries has come down from 2 billion in 1990 to 800 million by 2015 ,the distance between the US and developing countries' per capita incomes has shrunk and developing countries are now the main contributors to global economic growth , income inequalities and wealth concentration have surfaced as a stark reality. Environmental hazards, pollution, depletion of natural resources and Climate change risks are not adequately factored in .The good news is that it appears there is no trade off between economic growth and climate risk mitigation and adaptation and firms can reduce emissions without sacrificing profits. A recent study has shown that 33 countries containing 1.1 billion people have reduced Carbon emissions and had positive growth rates. Climate change is in fact a major opportunity for promoting sustainable economic growth. The Chinese attempts to promote renewable energy , Lithium batteries for storage and Electric vehicles provide some hope that there is a conscious effort to minimize Carbon dioxide emissions.

According to the Chat GPT , the term "elite capture" was virtually absent from Pakistan's journalistic vocabulary in the 1990s. "Public discourse at the time focused more on political instability, censorship, and regime change than on political economy frameworks. Over time—particularly after 2010—the concept gained currency through development economics and governance literature. Today, it has become a widely used lens for explaining Pakistan's economic and political outcomes."

This growing recognition underscores the importance of examining the features and consequences of the elitist growth model, even if dismantling it entirely remains an elusive goal. What is the elitist growth model in contrast to the shared growth model as a strategy for achieving inclusive and sustained growth . At its core is the following proposition

"Under this model, there is a complete reversal of the traditional roles of the market and the state. Markets are normally associated with efficiency and are found to be impervious to the considerations of equity and distribution. The state is usually thought of in terms of ensuring equity and access to opportunities. But under an elitist model, where both economic and political power are held by a small coterie of elites, the market is rigged and state is hijacked in order to deliver most of the benefits of economic growth to this small group. The markets therefore produce inefficient outcomes that are detrimental to the long-term sustainability of growth, and the state, through its actions, exacerbates the inequities in the system."

Pakistan's modest economic performance and weak social indicators can be better understood through this framework. Governance failures and the persistent dominance of a narrow elite—pursuing personal and familial gain—have skewed resource allocation and limited broad-based development. In the absence of a neutral regulatory authority, markets are manipulated, taxes are evaded, and public expenditure is appropriated for private benefit. Inequalities—across income, regions, and gender—become entrenched, and access to public services is mediated through patronage networks.

Despite successive regime changes—colonial legacies, military rule, and elected governments—the composition of the elite has remained broadly consistent. The four groups identified earlier—landed aristocracy, industrial and business elites, civil bureaucracy, and the military—continue to dominate, though their ranks have expanded. New entrants from politics, media, judiciary, civil society, and other professions have joined this circle, often adopting the same norms and behaviors. The anticipated countervailing role of the middle class, civil society, and media has largely failed to materialize, as prevailing incentives increasingly reward wealth accumulation over integrity and professionalism.

State institutions—including the civil service, police, and judiciary—have been weakened by patronage-based relationships. Their declining effectiveness disproportionately harms the non-elite, who face barriers in accessing justice, public services, and everyday administrative processes. Corruption and *sifarish* further entrench the influence of the powerful.

If dismantling the elitist model entirely is unrealistic in the short term, the pertinent question is how to loosen its grip. This requires deep structural reforms across several domains.

First, decentralization must be meaningfully restored. While constitutional and fiscal devolution has strengthened provinces, the erosion of local government has deprived citizens—especially the poor—of direct access to public services. Revitalizing empowered local governments with adequate financial resources would improve service delivery and reduce dependence on intermediaries.

Second, judicial reform is imperative. The system is burdened by excessive litigation, procedural delays, and weak enforcement. Streamlining processes, strengthening lower courts, and promoting alternative dispute resolution mechanisms would enhance efficiency and fairness.

Third, education must be transformed into a genuine equalizer. The current fragmented system perpetuates inequality. Expanding access to quality public education, alongside improved governance and clearer delineation of responsibilities across tiers of government, is essential for social mobility.

Fourth, fiscal policy must promote equity. Pakistan’s tax base remains narrow, with significant incomes—particularly from agriculture, real estate, and capital gains—undertaxed. Broadening taxation and directing public spending toward pro-poor services would reduce disparities and enhance fairness.

Fifth, financial inclusion needs to be expanded. Credit access for small farmers, businesses, and low-income households remains limited, as banks prefer risk-free government lending. Strengthening incentives for inclusive finance and expanding microfinance outreach—especially for women—can empower marginalized groups.

Sixth, regional and rural disparities must be addressed. Inequities in agricultural productivity, water distribution, and market access disproportionately disadvantage small farmers. Policy distortions—such as untargeted subsidies and procurement practices—often favor large landholders. Reforms in these areas, including better market access and storage facilities, would help level the playing field.

Beyond these, several “rent-thick” sectors—such as real estate, infrastructure, energy, and natural resources—remain prone to elite capture due to discretionary state control over licenses, contracts, and pricing. Enhancing transparency, introducing competition, and reducing discretionary powers are essential to curb rent-seeking. Public land allocation practices, in particular, require fundamental reform to prevent windfall gains accruing to a privileged few.

The persistence of the elitist growth model is not accidental. Reform efforts are resisted because they impose immediate and visible costs on entrenched interests, while their benefits are diffuse and realized over time. This asymmetry—between concentrated losses and dispersed gains—remains the central obstacle to institutional change.

Yet, without addressing these structural distortions, Pakistan’s prospects for sustainable and inclusive development will remain constrained. The challenge is not merely economic, but fundamentally political: to realign incentives, strengthen institutions, and gradually shift the balance from elite privilege to shared prosperity.

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