

Pakistan: State Autonomy, Extraction, and Elite Capture—A Theoretical Configuration

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“When groups are adequately stated, everything is stated!”¹

Management of actions and interest groups has historically been sovereign’s existentialist imperative. The paper revitalizes philosophical state autonomy debate and then narrows down its focus to capture extractive antics of as erratic a state as Pakistan. A typology of factions – captioned as Elites – operative in extractive realm of Pakistan is developed to round them in theory, identify their properties, and lay bare mechanics of intra-elite and elite-non-elite transactions. The paper seminally develops the rational actor dilemma confronting Pakistani elites and identifies the modes through which the dilemma plausibly resolves itself. The transactional engagement between Pakistan’s internal and external rational actors is dissected to theorize that Pakistan essentially is an equilibrium consensus subsistence state thereby opening up vast vistas for future research. The paper concludes with the glum finding that Pakistan in its current essence and manifestation is fundamentally a captive state – beholden to elites of Pakistan.

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I. INTRODUCTION

One of the most perennial questions that all regime types have historically encountered is the management of factions—that is, their expectations, interests, interplay, and ambitions—operating in the polity. In spite of the fact that factions and interest groups have always been extant in all states—totalitarian or democratic—at the other end of the interaction between the government and the governed—yet at a theoretical-philosophical level their operation and even presence has mostly been discounted. Rousseau found interest articulation by factions “as inimical to the general will.”² Although Madison reckoned factions to be the supporters of liberty, yet viewed the ones “actuated by some common impulse of passion, or of interest” as a threat to the

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¹A. F. Bentley, *The Process of Government: A Study of Social Pressures* (New York: Transaction, 1995).

²Rousseau, “Introduction,” in *Political Writings*, (ed.) F. M. Watkins (New York: Nelson, 1953).

Comment [T1]: Abstract – missing!

“permanent and aggregate interests of the community.”³ In fact, factions and interest groups have found little sympathy in democratic traditions of all shades and hues. In the U.S., for instance, many States had laws in place prescribing fines and penalties on lobbying activities. Likewise, and understandably so, totalitarian regimes have tended to deny factions any right to collective interest articulation and autonomous action,⁴ though Article 126 of the Soviet Constitution specifically affirmed citizenry’s right to form groups and alliances with common goals. Factions “represent the interest of the sections into which a society divides,”⁵ but they must be able to articulate those interests and make an effort to pursue them by aligning and engaging themselves with the political process. Once it is decided that it is the factions with stakes in political bargaining and having both the will and the capacity to go in pursuit of their stakes belong to the universe that has interchangeably been captioned as “power elite,” “elite(s),”⁶ “pressure groups,” “lobbies,” “interest groups,” and “power groups,” etc.⁷

Notwithstanding a pronounced dislike for their very existence and a socio-legal sanction of their operations, factions could be taken to perform important role towards socio-political development of states. It has convincingly been argued that factions—in the form of non-voluntary and obligatory collectivisms of controlled polities or voluntary formations of democratic dispensations—do facilitate identification of the individual with the political system; such identification being critically important towards state-building and cementing state-society relations. “In the nexus between economic, social and political power, interest groups translate economic power into social power and share with parties the function of transforming social power into political decisions.”⁸ Factions, at least theoretically, are expected to articulate to the regime apparatus, demands of a purportedly homogeneous clientele, which political parties then aggregate, consume, and transform into public policy outputs. Since factions, under normal circumstances, generate demands on existing politico-governance structures, and are, therefore, bound by rules of the game set by the system, in actuality pressure and power move in cadence. Although pressure—“continuation of bargaining by other means—denotes only one form of influence.”⁹ Contrarily, the density level of group activity could be taken for a reliable barometer of bargaining pressure on a political system at a given point in time.¹⁰

Now, until factions or groups continue to articulate their interests to state apparatus—being subsidiary and external to state apparatus, policy outputs are likely to be those of an *autonomous state*. However, as soon as factions pitch up their articulation

³A. Hamilton, J. Madison, and J. Jay, *The Federalist Papers* (Minneapolis: Filiquarian Publishing, LLC, 2007).

⁴Encyclopedia, “Interest Groups,” in *International Encyclopedia of the Social Sciences* (Encyclopedia.com, 1968).

⁵Ibid.

⁶In the paper, the term “Elite” denotes a single elite group, and the term “Elites” denotes all elite groups conceptualised together and operating collectively.

⁷Encyclopedia, “Interest Groups.”

⁸Franz L. Neumann, “Approaches to the Study of Political Power,” in *The Democratic and the Authoritarian State: Essays in Political and Legal Theory*, ed. Herbert Marcuse and Ill Glencoe (London: Free Press, 1957), 3–21.

⁹Graham Wootton, *The Politics of Influence: British Ex-Servicemen, Cabinet Decisions and Cultural Change, 1917-1957* (Cambridge, Massachusetts: Harvard University Press, 1963).

¹⁰Ibid.

effort—either out of frustration of gaining less than their expectations or out of their expectation to gain more than what they have gained or are set to gain through set patterns of articulation—and infiltrate into or make an attempt to infiltrate into state apparatus itself—the scenario is dubbed as *state captivity* or *elite capture*. This study is an attempt to lay bare and explore into these competing concepts of autonomy and capture within the spatial dimension of the state of Pakistan. In between these opposing pulls of state autonomy and state captivity, stands Elites Ltd—a convenient conceptual-cum-operational vehicle of loosely organised interest groups—to dissect Pakistan's extractive function¹¹ with a view to answering the cardinal question as to why Pakistan's extractive function has adjusted to historically embedded low performance levels.

The paper is divided into VI sections each one dealing with a different dimension of the subject. After introduction in Section I, Sections II and III deal with theory and literature review on power and state autonomy, and elites, respectively. While Section IV propounds and attempts to resolve rational actor dilemma with regard to the state of Pakistan, Section V extends the rational actor framework to the international stakeholders as external rational actors and seminally argues that sustained intense engagement between internal and external stakeholders on who picks and how much of the total cost of keeping Pakistani state afloat is essentially what renders Pakistan an equilibrium consensus subsistence state. Section VI concludes the discussion.

II. STATE AUTONOMY

In spite of the fact that, though in a negative connotation, the question of faction management has historically found place in most literature on political philosophy starting with Aristotle,¹² its corresponding term “state autonomy” made into the lexicon of the discipline relatively recently. A consensus appears to be emerging on Nicos Poulantzas¹³ for coining the expression “state autonomy” in 1960s,¹⁴ developing its formulation that has remained at the centre of all relevant debate over the past half century—including its various dimensions, e.g. “‘relative’ autonomy of the state.”¹⁵

State autonomy could operationally imply a given state's “ability to act and formulate interests of its own independently of and even against dominant groups (classes) and societal interests.”¹⁶ It thus follows that a state whose throw up in terms of policy formulation is larger than the sum of all interest group demand articulations could be dubbed an autonomous state. Contrarily, if a state's aggregate policy outputs over a period of time are equal to or are less than the sum of polity's interest group demand

¹¹Although the terms “extraction” and “extractive” have been used to denote state's total resource generation processes yet the major concern of the paper remains the study of the tax system and its various underlying socio-political triggers and dynamics.

¹²See, in particular, Chapter V and VI, Aristotle, T. Sinclair, and T. J. Saunders, *The Politics* (New York: Penguin Books Ltd., 1981).

¹³See, for instance, N. Poulantzas, “The Problem of the Capitalist State,” *New Left Review* 58 (1969); Nicos Poulantzas, *Political Power and Social Class* (London: New Left Books, 1973); N. Poulantzas, *The Crisis of Dictatorships* (London: New Left Books, 1976); *State, Power, and Socialism* (London: New Left Books, 1978).

¹⁴The entire debate on state autonomy in this paper and mostly elsewhere, too, is with reference to capitalist state alone.

¹⁵Ralph Miliband, “State Power and Class Interests,” *New Left Review*, No. 138 (1983).

¹⁶Diamantino P. Machado, “On the Autonomy of the State and the Case of the Portuguese Estado Nova,” <http://www.pages.drexel.edu/~machadod/autonomy.html>.

articulations, it could be referred to as an un-autonomous or a captive state—shorn of all additives, a state in elite capture.¹⁷ A state could further be classified as a relatively autonomous or captive state depending on the size and significance of various variables extant in the equation. Scholars have leveraged the state autonomy analytical framework to interpret the behaviour, composition and character of all types of states—totalitarian, democratic, hybrid, peripheral or dependent states.

A very important debate is, whether one could answer the critical question of a state's autonomy merely by dint of its ability to formulate policies independent of the influence of polity's legitimate classes and interest groups (neutral policy formulation), that is, without gauging its ability to implement its policies independent of the influence of classes and interest groups (neutral policy implementation).¹⁸ This is simply because even a most neutrally formulated policy, if hijacked by factions and thus not neutrally implemented, will come to a naught or end up achieving sub-optimal outcomes. Like in Pakistan, where Elites Ltd, in addition to rigging policy formulation process thereby compelling the state to deliver below-par policy outputs, decisively ventures to infiltrate into and manipulate state's policy implementation apparatus, too—again forcing it to deliver below par policy outcomes. The paper posits that a state's ability to neutrally implement its policies is an equally important variable in the equation.

Comment [T2]: This sentence is clearly an 'opinion' offered by the author, however valid or considered, it needs either to be stated as thus, or it needs to be supported by an academic reference to a published view (*citation*)

Problem of Power

The problem of state autonomy, essentially boils down to as to who exercises power in the decision-making processes and structures of the state. A significant amount of scholarship has been created on the concept of power and its plausible facets and dimensions. The foremost and simplest dimension of power is best derived from Dahl's illustrative definition: "A has power over B to the extent that he can get B to do something that B would not otherwise do."¹⁹ This particular dimension of power may manifest itself through physical restraint, persuasion, inducement, commitment activation, and coercion,²⁰ and does imply latent conflict of interests between the parties concerned.²¹ Bachrach and Baratz tended to broaden Dahl's rather simpler configuration of power and suggested to include the confining of "the scope of decision-making to relatively 'safe' issues," into the concept of power and its exercise.²² While disagreeing

¹⁷The terms "outputs" and "outcomes" have been interchangeably used in the literature. However, for clarity's sake, the paper uses the term "outputs" with reference to policy formulation process, and the term "outcomes" with reference to policy implementation process, and assumes that conversion of outputs into outcomes could be a function of various complex and intricate variables and their interplay, and that although measurement and quantification of "outputs" could be easier and simpler than that of "outcomes," yet both of the concepts connote different phenomena which justifies their parallel use depending on contextual requirements.

¹⁸At certain level, this might appear to be a question of state capacity rather than that of state autonomy, but this is an important concept in the context of the theoretical framework being developed in that the paper posits that even if a particular policy gets formulated neutrally of the influence of the elitist juggernaut, it could still be tinkered with by the elites through the generalist bureaucratic machine, at the implementation stage.

¹⁹Robert A. Dahl, "The Concept of Power," *Behavioral Science* 2, No. 3 (1957): 203.

²⁰Brian Barry, "Power: An Economic Analysis," in *Democracy, Power, and Justice: Essays in Political Theory*, ed. Brian Barry (Oxford: Oxford University Press, 1989), 223.

²¹Colin Hay, *Political Analysis: A Critical Introduction* (Basingstoke: Palgrave, 2002), 172.

²²Peter Bachrach and Morton Baratz, "Two Faces of Power," *The American Political Science Review* 56, No. 4 (1962): 948.

with Dahl's definition of a key political issue that it "should involve actual disagreement in preferences among two or more groups,"²³ Bachrach and Baratz strongly argued that this was not good enough a conceptualisation of a key issue because people could disagree on all types of issues—important and unimportant,²⁴ and that a real important issue would be the one that challenged the predominant values,²⁵ and it were these kinds of issues that the dominant actor would be attempting to keep off the agenda.²⁶

Lukes, in turn, criticised Bachrach and Baratz and suggested that agenda-setting, which, in fact, was nothing more than a system of bias, was sustained by an underlying socio-cultural environment and not by a sequence of individual acts, which would render a group susceptible to the systemic effects of mobilisation of bias primarily stemming from the form of the organisation.²⁷ Lukes believed although power was all about observable conflicts yet all power might not involve observable conflicts. He also posited the power need not be exercised only in situations of conflict since the dominant player could exercise power on the weaker player through reshaping of the latter's set of wants,²⁸ which entailed a semantic control of some order as a natural corollary in terms of suspension of belief of the wronged that he was entitled to have a legitimate grievance.²⁹ Thus, Lukes comes up with a third dimension of power, "which consists in a contradiction between the interests of those exercising power and the real interests of those they exclude."³⁰ It follows that actual conflict could be pushed to the sub-surface if power were exploited to blind a weaker player from being able to see his real interests. "Indeed, is it not the supreme exercise of power to get another or others to have the desires you want them to have," Lukes argues, "that is to secure their compliance by controlling their thoughts and desires."³¹

Peter Digeser, exploiting Michel Foucault's conceptual framework, comes up with the fourth dimension of power and contends that "the nature of obligation, the capacity of individuals to act freely ... all of our political, economic, legal, and religious practices are planted in a social context governed by various rules and discourses forged by relations of power."³² Digeser believes that the pre-existing socio-cultural facts including legal-cum-governance milieu facilitates exercise of power by the dominant group on the weaker one in a subtle and pre-ordained manner. Although, academically significant yet contextually less important is the typology of power developed by French and Raven, which includes five bases of power, namely, reward, coercion, legitimate, expert and referent.³³ Subsequently, Raven added 'informational power' to the model to make it stand on six bases.³⁴ Etzioni focuses is on the study and exercise of power through the

²³Robert A. Dahl, "A Critique of the Rule Elite Model," *ibid.* 52, No. 2 (1958): 467.

²⁴Peter Bachrach and Morton Baratz, "Two Faces of Power," *ibid.* 56, No. 4 (1962): 950.

²⁵*Ibid.*

²⁶*Ibid.*

²⁷Steven Lukes, *Power: A Radical View*, 2nd Edition ed. (Basingstoke: Palgrave Macmillan, 2005), 25.

²⁸*Ibid.*, 27.

²⁹*Ibid.*, 28.

³⁰*Ibid.*

³¹*Ibid.*, 27.

³²Peter Digeser, "The Fourth Face of Power," *The Journal of Politics* 54, No. 4 (1992): 981.

³³J. R. P. French and B. H. Raven (ed.) "The Bases of Social Power," in *Group Dynamics*, D. Cartwright and A. Zander (New York: Harper and Row, 1959).

³⁴B. H. Raven, "Social Influence and Power," in *Current Studies in Social Psychology*, ed. I. D. Steiner and M. Fishbein (New York: Holt, Rinehard, Winston, 1965).

vehicle of the organisation to famously herald that “we are born in organisations, educated by organisations, and most of us spend much of our lives working for organisations.”³⁵ Etzioni classifies organisations by the type of power they use to direct the behaviour of their members and the type of involvement of their people, and goes on to identify three types of organisational power: coercive, utilitarian and normative, and relates these to three types of involvement: alternative, calculative, and moral.³⁶ Etzioni’s influence on the scholarship on organisation remains formidable.

Parsons, after dilating upon various dimensions of power, settles on the basic consensus view of power as having to do with the ability of people or social groups (“collectivities”) “to get things done”—especially when there is some type of resistance present.³⁷ He looks to examine power within the context of societies with special attention being paid to the role that coercive measures can play in relation to “the voluntary and consensual aspects of power systems.” By juxtaposing money in an economic system to the use of power in a political system, Parsons shows similarities and dissimilarities in the use of both in the “collectivities.” Parsons finds problems with the existing literature majorly in three areas. One, he rejects the view that power is simply the “generalised capacity to attain ends or goals in social relations, independently of the media employed or of the status of ‘authorisation’ to make decision or impose obligations.” On the contrary, Parsons argues that power requires to be understood as a “specific mechanism operating to bring about changes in the action of other units, individual or collective, in the process of social interaction.”³⁸ Two, picking on the theorists who view power only in terms of being coercive or consensual, Parsons argues that, in fact, both attributes are ‘essential’ to the concept of political power and that they could not be viewed independent of each other. “It is both,” Parsons held, “precisely because it is a phenomenon which integrates a plurality of factors and outputs of political effectiveness and is not to be identified with any one of them.”³⁹ Three, Parsons fell out with his peers on power for their almost linear belief that the imposing of power resulted in a zero-sum outcome, and that any increase in power of one necessarily means a decrease in the power of the other. Parsons, on the contrary believed that a zero-sum outcome was possible and it often occurred too, but it was just not always the case.

It would be seen that, in the case of Pakistan, exercise of power by the oligarchs on the citizenry occurs through a variety of ways ranging from the most naked i.e. direct coercion to the most subtle i.e. agenda-manipulation and semantic occupation. The debate on the complexities of power and the ways in which it was exercised, would underpin and illuminate an extensive survey of the wide-ranging literature on state autonomy in the broader realm of political economy created over the past half century, which can be analysed and reviewed by dividing and classifying into two competing strands: (a) society-centric strand; and (b) state-centric strand.

³⁵A. Etzioni, *A Comprehensive Analysis of Complex Organisations* (New York: Free Press, 1975).

³⁶Fred C. Lunenburg, “Compliance Theory and Organisational Effectiveness,” *International Journal of Scholarly Academic Intellectual Diversity* 14, No. 1 (2012).

³⁷Talcott Parsons, “On the Concept of Political Power,” *Proceedings of the American Philosophical Society* 107, No. 3 (1963).

³⁸*Ibid.*, 232.

³⁹*Ibid.*, 258.

(a) Society-centric Strand

For society-centric theorists, the starting point of inquiry in comprehending the state and its conduct is the understanding of social functions underlying it. Thus, the proper explanatory direction, society-centric thinkers believe, is from the society to the state. “Thus, the analysis of the forms of the capitalist state can only be made when the causal necessity of the emergence and existence of the state, and its organisational apparatus, derives from the nexus of individual relationships (liberal state theory, pluralism) or the nexus of class relationships (Marxian state theory).”⁴⁰ Marx believed that “forms of state are to be grasped neither from themselves...but rather have their roots in the material conditions of life...,” and that “anatomy of civil society is to be sought in political economy.”⁴¹ Engels, too, thinks that “state is...by no means a power forced on society from without...rather it is a product of society at a certain stage of development...this power, arisen out of society, but placing itself above it...is the state.”⁴² Then both thinkers collaboratively took the position that “only political superstition today imagines that social life must be held together by the state, whereas in reality the state is held together by civil life.”⁴³

To them and their intellectual progeny (neo-Marxists), the state is nothing more than an extension of civil society, and a self-propelled process, which reproduces normative social order exclusively geared to protect particular and not general interests and maintain the status quo. It has, therefore, been argued that for Marx, Engels and their followers to a good extent “state and its bureaucratic organisation constitute ‘parasitic’ entities.”⁴⁴ Thus, the capitalist state, irrespective of the level of economic development of its underlying society, professes unto itself, as its *raison d’être*, the protection of particular interests of the capital-owning class, and is given to maintaining “general conditions for the reproduction of the wage labour/capital relation which is at the heart of bourgeois societies.”⁴⁵ The ontological primacy, which the duo—Marx and Engels—appears associating to civil society, leads them to further theorise that “capitalist state is, and can only be, relatively autonomous.”⁴⁶

In fact, this very Marxian position, that the capitalist state is nothing more than a bourgeoisie tool tailor-made and unleashed to dominate the proletariat and advance the bourgeois class interests, has tended to develop a subsidiary view i.e. relative state autonomy. Marx, illustratively talking about the Second French Empire remarked that “in reality, it was the only form of government possible at a time when the bourgeoisie had already lost, and the working class had not yet acquired, the faculty of ruling the nation.”⁴⁷ Engels, echoing Marx, also observed that “by way of exception, however,

⁴⁰Machado, “On the Autonomy of the State and the Case of the Portuguese Estado Nova”.

⁴¹K. Marx, *Preface to a Critique of Political Economy* (London: Electric Books, 2001).

⁴²Friedrich Engels, *The Origin of the Family, Private Property and the State* (New York: New International Publishers, 1972).

⁴³K. Marx and F. Engels, *The Holy Family* (Honolulu: University Press of the Pacific, 2002).

⁴⁴D. Held, *Political Theory and the Modern State: Essays on State, Power, and Democracy* (Stanford: Stanford University Press, 1989), 39.

⁴⁵Ronaldo Munck, *Politics and Dependency in the Third World: The Case of Latin America* (London: Zed Books, 1984), 206.

⁴⁶Machado, “On the Autonomy of the State and the Case of the Portuguese Estado Nova” 2.

⁴⁷K. Marx and L.H. Simon, *Marx: Selected Writings* (Hackett, 1994), 304.

periods occur in which the warring classes balance each other so nearly that the state power, as ostensible mediator, acquires, for the moment, a certain degree of independence of both,” and that such “was the Bonapartism of the First, and still more of the Second French Empire, which played off the proletariat against the bourgeoisie and the bourgeoisie against the proletariat.”⁴⁸ Thus, while both Marx and Engels posit that all capitalist states continue to remain class states in essential composition and character, they might starkly differ in degree and level of autonomy.⁴⁹

Subsequent thinkers could be classified into two separate streams of scholarship, that is, the Instrumentalists and the Structuralists. Neo-Marxists, who agree on the basic premise that capitalist state is nothing more than a tool at the command of capital-owning classes tasked to promoting and advancing their politico-economic agenda, but differs in the ways it achieves its objectives, are loosely dubbed as Instrumentalists. The substantial amount of Instrumentalist knowledge created during the second half of the twentieth century, is dedicated to exploring various ways through which the institution of the state can be leveraged, by capital-owning classes, to maintain and maximise the economic status quo.⁵⁰ The Instrumentalists, broadly speaking, take the position that the state, in effect, is an “instrument for the domination of society,”⁵¹ which seeks to perform its avowed functions in deliberate subservience to the “instrumental exercise of power by people in strategic positions.” When such strategically placed people exploit the state structure directly, the scenario is referred to as direct instrumentality; and when they exert pressure on the polity indirectly, the scenario is dubbed as indirect instrumentality.⁵² But in either case, the overarching objective of state exploitation remains the optimisation of the capitalist class’s interests. Instrumentalists further contend that in order for the capitalist state to promote capital-owning class’s interest, it has to be relatively autonomous. “Its relative independence makes it possible for the state to play its class role in an approximately flexible manner. If it really was the simple ‘instrument’ of the ‘ruling class’, it would be fatally inhibited in the performance of its role. Its agents absolutely need a measure of freedom in deciding how best to serve the existing social order.”⁵³ It has been remarked that within the Marxist school of thought there are “a variety of theoretical perspectives which co-exist in an uneasy and unstable relation.”⁵⁴

⁴⁸Engels, *The Origin of the Family, Private Property and the State*, 160-61.

⁴⁹Machado, “On the Autonomy of the State and the Case of the Portuguese Estado Nova” 3.

⁵⁰See, for instance, Ralph Miliband, *The State in Capitalist Society* (London: Winfield and Nelson, 1969); “The Capitalist State—Reply to Poulantzas,” *New Left Review*, No. 59 (1970); “Poulantzas and the Capitalist State,” *New Left Review*, No. 82 (1973); *Marxism and Politics* (New York: Oxford University Press, 1977); *Class Power and State Power* (London: Verso, 1983); W. Domhoff, *Who Rules America Now?* (Englewood Cliffs, NJ: Prentice Hall, 1983); G. William Domhoff and Thomas R. Dye, *Power Elites and Organisations* (Newbury Park, Calif.: Sage Publications, 1987); W. Domhoff, *The Power Elite and the State* (New York: Aldine de Gruyter, 1990); M. Useem, “The Social Organisation of the American Business Elite and Participation of Corporate Directors in the Governance of American Institutions,” *American Sociological Review*, no. 44 (1979); *The Inner Circle* (New York: Oxford University Press, 1984); D. A. Gold, “Recent Developments in Marxist Theory of the State,” *Monthly Review* 27, No. 5 (1975); “Recent Developments in Marxist Theory of the State,” *Monthly Review* 27, No. 6 (1975).

⁵¹Miliband, *The State in Capitalist Society*, 22.

⁵²Gold, “Recent Developments in Marxist Theory of the State.”

⁵³Miliband, *Marxism and Politics*, 87.

⁵⁴B. Jessop, *The Capitalist State: Marxist Theories and Method* (New York: New York University Press, 1982), xii.

Neo-Marxists⁵⁵ who assert that it is not possible to understand state and its conduct through “behaviorist/empiricist observations of instrumental exercise of power by the ruling class, because the class composition of those running the state apparatuses is of no importance to the nature of the state in capitalist societies,”⁵⁶ are referred to as Structuralists. Contrarily, Structuralists argue that “it is the structure of these societies that makes the state serve the capitalist class that is causal significant.”⁵⁷ Poulantzas suggests that both social class and the state are “objective structures,” and their interplay and mutual relationship ought to be “taken as an objective system of regular connections.”⁵⁸ He avers that since the state is essentially a product and outcome of interactions, it must intrinsically and essentially be a “condensation of class-based relations.”⁵⁹ Furthermore, since the state is reflective of objective power structures, it cannot be taken to be autonomous; it can be taken to be relatively autonomous only—perhaps, to the extent that the state is not able to broker deals and come up with the win-win (intra-class) inter-group bargains and has to assume the role of the final arbiter of disputes and power. Thus, the relative autonomy of the state would be equal to the capacity it obtains to operate autonomously of the capitalist class while continuing to be essentially a capitalist state. Althusser, leading proponent of French Structuralist Neo-Marxism, argued that it was a cardinal mistake to read Marxism in terms of historicism, idealism, economism or even phenomenological Marxism. He explained that this mistake was being made by Marxian interpreters’ who were caught in “pre-historic humanistic ideology” and were obsessed with his early works. Instead, Althusser stressed that Marx presented an outright epistemological break with the pre-existing scholarship traditions, and that his work bordered on science.⁶⁰ Kolakowski came down hard on Althusser being near-totally off-mark arguing that the Structuralist analysis of Marx was unfalsifiable; hence, unscientific.⁶¹

(b) *State-centric Strand*

The state-centric strand scholars argue that the state is an entity whose action bits constitute the primary unit of analysis for any further inquiry. The causal direction, according to state-centric strand scholars, is from the state structure to the society, and not the other way round. “To state-centred theorists the state is at the same time embedded in the structural relations of capitalistic social formation, and an independent organisation which has a monopoly on coercive power, and a life and form of its own.”⁶² Amongst the state-centric theorists, Weber is the first one to argue that states “are compulsory associations claiming control over territories and the people over them.”⁶³

⁵⁵Neo-Marxist Structuralists e.g. Poulantzas develop a Marxist theory of the capitalist state from the logic of capitalism—using Althusser’s structuralist epistemology.

⁵⁶Machado, “On the Autonomy of the State and the Case of the Portuguese Estado Nova”.

⁵⁷Ibid.

⁵⁸Poulantzas, “The Problem of the Capitalist State.”

⁵⁹Poulantzas, *Political Power and Social Class*.

⁶⁰Louis Althusser, *For Marx* (London: Verso, 2005).

⁶¹Leszek Kolakowski, “Althusser’s Marx,” *Socialist Register* (1971).

⁶²Machado, “On the Autonomy of the State and the Case of the Portuguese Estado Nova” 4.

⁶³Cited in Dietrich Rueschmeyer Peter B. Evans, Theda Skocpol, ed. *Bringing the State Back In* (London: Cambridge University Press, 1985), 7.

Weber and his disciples,⁶⁴ firmly suggest that the state can pursue objectives or targets, which do not, necessarily, echo the demand articulations of power-wielding factions vying to maximise their gains in the state. In a clear-cut departure from Marxists and Neo-Marxists, Weber was not able to agree to the notion that the state was “parasitic” in its very nature and properties, and a “direct product of the activities of classes.” The “modern state is not, Weber contended, an effect of capitalism; it preceded and helped promote capitalist development.”⁶⁵

In a Weberian vein, Block takes an outright position that the institution of the state does not possess the property of reducibility to mere class interests and struggles, and avers that “State power is *sui generis*, not reducible to class power,” and that “each social formation determines that particular way in which state power will be exercised within that society.”⁶⁶ Block brings in a new theoretical construct, “state managers,” and argues that the state managers “are individuals not involved in the relations of production and are, therefore, independent from the capitalist class, even if they were proper members of that class before they became state managers.”⁶⁷ The “State managers” appears to be Block’s answer to the question of “relative state autonomy,” which he finds to be “a slightly more sophisticated version of the instrumental view it attacks.”⁶⁸ Block’s disambiguation helps convincingly argue that since the “state managers”—whose primary mandate is to facilitate contract enforcement, provide enabling environment, keep “business confidence,” and maintain law and order—get remunerated from the state exchequer and are governed by rules and regulations laid down by the state, and therefore, they cannot be taken as mechanical agents promoting class interests, nor “reduction of state power to class power implied in the qualification “relative” as a natural corollary.”⁶⁹ Thus, on the one hand, Block’s state is inherently organisationally autonomous of the ruling classes, and on the other, does function, on its own, to guarantee capital accumulation and maintain the all-important class domination.

Skoepol’s contribution to the state autonomy project is rather a robust defense of the state as a “structural” organisation. She strongly believes that the state is essentially irreducible to inter-class relations or struggles; that the state, too, is an organisation with a persona capable of independent decision-making just like any other ordinary organisation with a structure, functional mechanisms, and having objectives to pursue.⁷⁰ Skoepol castigates Marxists (and neo-Marxist Structuralists) for assuming that “states are inherently shaped by classes or class struggles” and exclusively given “to preserve and expand modes of production.”⁷¹ She also attacks them for making it “virtually impossible even to raise the possibility that fundamental conflicts of interest might arise between the existing dominant class, or set of groups on the one hand, and the state rulers on the

⁶⁴Also styled as “Neo-Weberians.”

⁶⁵Held, *Political Theory and the Modern State: Essays on State, Power, and Democracy*, 41.

⁶⁶Fred Block, “Beyond Relative Autonomy: State Managers as Historical Subjects,” in *Socialist Register*, ed. Ralph Miliband and J. Saville (London: Merlin Press, 1980), 229.

⁶⁷Machado, “On the Autonomy of the State and the Case of the Portuguese Estado Nova”.

⁶⁸Fred Block, “Beyond Corporate Liberalism,” *Social Problems* 24 (1977): 7.

⁶⁹“Beyond Relative Autonomy: State Managers as Historical Subjects,” 230.

⁷⁰This is the position which is also taken by Weber and Block.

⁷¹Peter B. Evans, *Bringing the State Back In*, 4.

other.⁷² She critiqued Poulantzas' approach as she found it very frustrating because he simply posited the "relative autonomy of the capitalist state" as an indispensable element and attribute of capitalist production mode.⁷³ The state, Skocpol points out, is to be seen "as an organisation for itself."⁷⁴ She also takes to task "virtually all neo-Marxist writers of the state" for retaining "deeply embedded society-centered assumptions,"⁷⁵ and overlooking the fact that all "important social change is a consequence of autonomous state activity."⁷⁶

While a substantial amount of literature has evolved on state autonomy and its various dimensions, hardly anything has been written on state captivity—a plausible antonym of state autonomy.⁷⁷ May be it has just been assumed that mere absence of state autonomy is tantamount to state captivity; maybe not; maybe it is more than that, needing corresponding and independent theorisation. Nonetheless, the dissection of influence of factions on state or its conduct under Marxist, Neo-Marxist or even state-centric traditions, illuminates the succeeding debate in the particular context of Pakistan.

III. ELITE CAPTURE IN PAKISTAN

Since C. Wright Mills published his path-breaking work "The Power Elite" in 1956 to propound his thesis that America was in an effective control of the military, economic, and political elites,⁷⁸ a large number of scholars have applied his analytical framework to examine politico-economic structures of a number of countries. Some expanded it to include certain other elite (groups) into the framework to fit a certain peculiar situation, and still others have channeled energies to prove him right or wrong. Mills argues "that these men of the Power Elite now occupy the strategic places in the structure of American society; that they command the dominant institutions of the dominant nation; that as a set of men, they are in a position to make decisions with terrible consequences for the underlying populations of the world."⁷⁹

What are main features of the Millsian power elite? Broadly speaking Mills' power elite are at the pinnacle of economic, military, and political institutions—more as types and functions than as individuals. Since their positions of power are interchangeable across domains, they do shuffle their positions that inevitably results in an institutionally-developed near-uniform worldview. They share a clear-cut "class consciousness" and a unique image of themselves as a social fact—regardless of their ostensible party affiliations and popularly ascribed ideological labelling, which effectively manifests itself in their aggressive policy posturing as—they ruthlessly

Comment [T3]: ground-breaking

⁷²Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russian and China* (London: Cambridge University Press, 1975), 27.

⁷³Peter B. Evans, *Bringing the State Back In*, 33.

⁷⁴Theda Skocpol, "The Broken Wave," *Journal of Development Studies* 15, No. 4 (1979): 27.

⁷⁵Peter B. Evans, *Bringing the State Back In*, 5-9.

⁷⁶R. F. Levine, "Bringing Class Back In: State Theory and Theories of the State," in *Recapturing Marxism, an Appraisal of Recent Trends in Sociological Theory*, ed. R. F. Levine and J. Lembecke (New York: Praeger, 1987), 97.

⁷⁷On Pakistan, an academic dissertation, not of much significance though, has been attempted. See Oskar Verkaaik, "The Captive State: Corruption, Intelligence Agencies, and Ethnicity in Pakistan," ed. Amsterdam School for Social Science Research (2006).

⁷⁸C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956).

⁷⁹*Ibid.*, 286.

venture to pursue their goals at the cost of the underlying millions with impunity and, in fact, quite impersonally. The power elite do not necessarily hail from a common privileged origin. However, their selection, grooming and promotion through an institutionally evolved process, guarantees an identical worldview, regardless of the commonality of origin. The commonality of origin can under-write a completely uniform worldview as variances in the background, even if moulded by elitist institutional conditioning, can result in divergences in the worldview. There might be factions amongst power elite but their over-arching commonality of interests breeds an inner discipline that binds them together.⁸⁰ Millsian power elite do not conspire in a coordinated fashion—not for any petty self-interest, but for dominant positions in the dominant institutional orders of the most dominant state in the world. Due to the fact that during the length of their careers at top positions, and that hardly any fundamental variation in overarching world vision is possible, they do what is expected and required of them to sustain integrity of the benefactor system. These traits, Mills thought, create a class of individuals who effectively controlled America—and by implication—the world.

Pakistani Elites

In order to expand the elitist model to explain the domination of Pakistan's polity, economy, and extractive function, it needs to be seen if the elitist factor is at work in the first place? Hamza Alavi, was by far the first scholar of renown to have tried explaining the structural construction and mechanics of the state of Pakistan from the perspective of its oligarchical control.⁸¹ In a clear-cut departure from the traditional scholarship that argued that Pakistan's creation was due to a movement for an independent state that was triggered and sustained by a religiously motivated passion, Alavi posited that it was, instead, led by salary-dependent class of Muslim government servants—"Salariat."⁸² Alavi thought that "Having seen a diminution in its share of jobs in pre-partition India, this "Salariat" saw that it stood to gain most from the creation of a new state."⁸³ Alavi developed his concept and built it on the premise that since (a) none of the dominant social classes in the post-colonial Pakistan were powerful enough to control the state; and (b) the bureaucratic-military complex brutally controlled its inner core and very operational mechanics, and hence, Pakistan was an "over-developed state." Alavi influenced a whole generation of scholars and "has been the basis for countless formulations on the state—not always in agreement with Alavi—both in South Asia as well as other developing countries."⁸⁴

Asaf Hussain, next in line, applied the elitist framework to analyse the power dynamics of the Pakistani politics. Hussain posits that "An analysis of the political structure of Pakistan can be approached from a number of perspectives, but it is from an approach to elitism that the greatest insights into this complex cultural system can be

⁸⁰Ibid., 283.

⁸¹Hamza Alavi, "The State in Post-Colonial Societies: Pakistan and Bangladesh" *New Left Review* 1, No. 74 (1972).

⁸²"Pakistan and Islam: Ethnicity and Ideology," in *State and Ideology in the Middle East and Pakistan*, ed. Fred Halliday and Hamza Alavi (Hong Kong: Macmillan Education Ltd., 1988).

⁸³Arif Azad, "Hamza Alavi," *The Guardian*, December 19, 2003.

⁸⁴Asad Sayeed, "Hamza Alavi: An Obituary," *Herald*, February 12, 2004.

gained,” and that “Such an approach encompasses the most significant political, social, and economic factors relevant to the state’s political development.”⁸⁵ Hussain’s “primary focus is upon distinct elite groups extant in Pakistan, their institutional derivation, and, most importantly, the competition and conflict among them that has so completely dominated political development,”⁸⁶ in Pakistan. His elites are engaged in an arduous struggle to first shape the state according to their ideological leanings resulting into a polity torn and fractured against itself. “Thus, the [Military Elites] ME was solely interested in rendering Pakistan a “praetorian state,” and [Bureaucratic Elites] BE an “administrative state,” the [Landowning Elites] LE a “feudal state,” the [Industrial Elites] IE a “bourgeoisie state,” the [Political Elites] PE a “democratic state,” and the [Religious Elites] RE an “Islamic state.” The net result of these diverse self-fulfilling political strategies was that the political elites and the state suffered from inadequate institutionalisation of infrastructures such as political parties. To worsen the situation, elites were alienated from masses, leaving political culture fragmented, not integrated.”⁸⁷ He concludes that in a praetorian system “only the strong survive” with each elite group using “any means available to maximise its power.”⁸⁸

Shafqat, using Flanagan’s model of crisis and structural change, designed in the broader framework of system’s paradigm, also attempted to explain the dynamics of Pakistan’s political system from 1947 till 1989.⁸⁹ Flanagan’s model suggests that changes in the international environment and the performance of government generate systemic crisis which leads to structural change.⁹⁰ In order to operationalise the model, Shafqat recognises “military, bureaucracy, industrial-merchant classes, political elites, and religious elites” as four structural components of Pakistan’s political system.⁹¹ Shafqat’s “model identifies four phases of crisis and change: (i) the antecedent system; (ii) environmental performance changes; (iii) coalition formation and crisis resolution; and (iv) developmental linkage and the resultant system,”⁹² and then detects certain mechanisms that “became a standard procedure of coalition formation and structural alternation in the political system of Pakistan” which “have been used by successive regimes to formulate a ruling coalition.”⁹³ The identified mechanisms are: (a) selective co-option; (b) collateralisation; (c) containment; and (d) economic policies and changes in international environment.⁹⁴ Shafqat believes that out of his elites “military, bureaucracy and industrial-merchant classes are structural components with greater “durability,” and therefore, these particular components exhibit “the propensity to impede

⁸⁵Asaf Hussain, “Elites and Political Development in Pakistan,” *The Developing Economies* 14, No. 3 (1976): 224.

⁸⁶Ibid.

⁸⁷Ibid., 233.

⁸⁸Ibid.

⁸⁹Saeed Shafqat, *Political System of Pakistan and Public Policy : Essays in Interpretation* (Lahore: Progressive Publishers, 1989).

⁹⁰Scott C. Flanagan, “Models and Methods of Analysis,” in *Crisis, Choice, and Change; Historical Studies of Political Development*, ed. Scott C. Flanagan Gabriel A. Almond, Robert J. Mundt, (Boston: Little Brown, 1973).

⁹¹Shafqat, *Political System of Pakistan and Public Policy : Essays in Interpretation*, 24.

⁹²Ibid.

⁹³Ibid., 30.

⁹⁴Ibid.

the growth of the other relatively weak components,” and that “Whereas the weak components remain weak or decay, these components acquire greater strength over a period of time.”⁹⁵ He dubs “these three components i.e. military, bureaucracy, and merchant-industrial classes... the parameters of Pakistan’s political system” since in “the ruling coalition making process, they emerge as the critical components,”⁹⁶ and concludes that in societies “where structural imbalance does exist... relatively ‘durable,’ ‘structures’ reveal propensity to dominate the political system.”⁹⁷

The most significant attempt to interpret and analyse the structure and performance of Pakistan’s political economy has been Ishrat Husain’s “Pakistan: The Economy of an Elitist State.”⁹⁸ This is an incisive attempt to explain Pakistan’s economic development during the first fifty years of its history, and to demonstrate that the benefits of whatever semblance of development that took place predominantly affected the elites of the country, while the majority of population remained unaffected. Husain situates Pakistan against “economic development of more than a hundred low-income countries struggling to improve the living standards of their population,”⁹⁹ and draws out patterns of progress. He argues that the “record of development experience has been mixed,” and that a “very small group of countries has been able to achieve success in graduating from the ranks of poor countries within a generation.”¹⁰⁰ Husain avers that there is another group of countries, which is quickly moving towards that end provided there are no major setbacks. Simultaneously, Husain goes on to posit that there still is a large number of countries that “have suffered reversals and are worse off today than they were at the time of their independence from colonial rule.”¹⁰¹ Finally, Husain hammers home the point that there are countries, “which are muddling through and moving forward with hiccups, but where the benefits of development are unevenly distributed and are highly concentrated in a small segment of the population.”¹⁰² He then moves on to explain the variances in economic development mainly centred on “the dichotomous roles of the state vs. the market.”¹⁰³

Husain broadly identifies five patterns of state-society interactions to grasp and explain the process of economic development in various countries and regions. Firstly, the one that remained popular during 1950s and 1960s revolved around the notion “that the state through a strong interventionist and directive role, using the instruments of central planning and big-push, state-led industrialisation, would break the low-level equilibrium trap of poverty in which developing countries were caught.”¹⁰⁴ Secondly, the predatory state “guided by the narrow and selfish interests of those in power,” supplanted “a benign and benevolent state acting in the larger interests of the population,” as the lateral experience of a number of states pursuing the interventionist model exposed its

⁹⁵Ibid., 24.

⁹⁶Ibid.

⁹⁷Ibid., 72.

⁹⁸Ishrat Husain, *Pakistan: The Economy of an Elitist State* (Karachi; New York: Oxford University Press, 1999).

⁹⁹Ibid., xi.

¹⁰⁰Ibid.

¹⁰¹Ibid.

¹⁰²Ibid.

¹⁰³Ibid.

¹⁰⁴Ibid.

weaknesses.¹⁰⁵ Thirdly, in the wake of dissolution of the Soviet Union “‘Free enterprise’ and ‘deregulation’ became the new buzzwords” as “‘Government failure’ was found to be greater evil than ‘Market failure.’”¹⁰⁶ Fourthly, the model of shared growth as successfully followed and exhibited by East Asian economies. Fifthly, Husain posits that in stark contrast to the model “of shared growth, there is an equally powerful model of elitist growth which characterises a number of developing countries.”¹⁰⁷ According to him “Brazil, Mexico, Kenya, Nigeria, and Pakistan are leading examples of this particular mode of development.”¹⁰⁸

What is the elitist growth model? Husain explains the elitist growth model in the following manner:

“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.”¹⁰⁹

Husain then goes on to provide “an overview of the performance of the economy of Pakistan” as a whole and by dividing it in “five sub-periods which correspond to different economic and political eras,” he “lays down the production structure—mainly those of the agricultural and industrial sectors—and outlines the changes which have occurred” during Pakistan’s history, and “summarises the developments and outcomes in macroeconomic policies—Fiscal, Monetary, and Exchange rate; other complementary policies—Trade, Debt, and Investment” and other important areas like Human Capital, poverty, unemployment, Physical Capital, and finally “attempts to present a cogent political economy explanation of the paradoxes exhibited by the Pakistani economy” by drawing upon the findings—though not explicitly and directly—to substantiate the main hypothesis advanced.¹¹⁰

Husain’s Critique

It is argued that despite being a substantially meaningful contribution towards explaining the structure of Pakistan’s political economy, Husain’s model suffers from serious limitations and infirmities. While his model does explain monopolisation of the *Infrastructure* by Pakistani elites, it does not elitist *Superstructure* i.e. bureaucracy, politics, law, judiciary, clergy, and media, and its exploitation by the elites to achieve

¹⁰⁵Ibid.

¹⁰⁶Ibid., xii.

¹⁰⁷Ibid.

¹⁰⁸Ibid.

¹⁰⁹Ibid.

¹¹⁰Ibid., xv.

their agenda. How an economy which promised so much in the first half of its life spanning over six decades lost its way through the second? How the society at large has been semantically occupied, religiously opiated, socially alienated, economically rattled, and politically controlled, do not appear to be Husain's concerns. His main preoccupation remains an overall data-based analysis and assessment of the economy from an economist's perspective. There are more specific problems as well. The model highlights *causal correlations* between the variables, but falls short of identifying, establishing, and elaborating *causal mechanisms* at work in the correlations. How did the elites hijack the state? Do elites compete or cooperate amongst themselves? How are they able to sustain their domination on the state, polity and society over time? How do elites reap benefits of economic growth? How do they actually cause to rig public policy in different domains of economic life? Similarly, the main concepts and relationships have not been defined. Who are elites? Are elites an identifiable, clearly demarcated, and monolithic water-tight entity? How, when disaggregated, intra-elite transactions take place? What are the determinants of elite-non-elite relations? Furthermore, since Husain does not circumscribe and delimit his variables, they constantly mutate, and assume an amorphous character to fit the line, need and size of the argument, reducing it to a tautology. These and other gaps in the model necessitate development and extension upon Husain's model—with primary objective of explaining elites' domination of Pakistan's economic system and its fall out for marginalised masses. Some scholars, in addition to Husain, have also used the elitist jargon to identify and explain Pakistan's economic problems.¹¹¹

Gaps in Research

Since Alavi, Hussain, and Shafqat are predominantly political in approach and Husain offers insight into the elitist control of Pakistan economy's productive function only, all of them appear a vast expanse of intellectual territory yet to be chartered. The paper thus makes a significant departure with Alavi, Hussain, Shafqat, and Husain, and builds upon them so as to purposely reduce focus from an outright control of the state (political power) or even the economy's productive function by elites to primarily the control of its *extractive function*, and to further develop the theoretical framework by linking it with the superior intellectual debate centred around the state autonomy.

The paper takes Pakistani elites as an eclectic conglomerate of vested interests that systematically cooperate and enter into non-zero-sum exchanges aimed at optimising group gains by mounting pressure on the state to exercise sub-optimal (fiscal) policy options. It further postulates that while the Pakistani elites enter into zero-sum exchanges with competing rival groups for political gains—the control of governance structures, they take a complete volte face to enter into non-zero-sum transactions for economic gains—(through) control of extractive function—with confrontation giving way to cooperation, exclusion to inclusion, and monopolisation to quid pro quos, which could

¹¹¹See, for example, Farhan Zainulabideen and Zafar Iqbal, "Taxation and Good Governance and the Influence of Non-Tax Revenues on a Polity" *Policy Perspectives* Volume 6, No. July–December (2009); S. Akbar Zaidi, "Pakistan's Roller-Coaster Economy: Tax Evasion Stifles Growth," (Carnegie Endowment for International Peace, Policy Brief No. 88, 2010); M. Abdul Mateen Khan, "Political Economy of Fiscal Policy in Pakistan," *Lahore Journal of Economics* 8, No. January-June 1 (2003); Kaiser Bengali, "Contradictory Monetary and Fiscal Policies," *Dawn*, October 10, 2002.

either be immediate or deferred; articulated or understood; systematic or automatic.¹¹² It would therefore, for good reason, be quite a misnomer to call Pakistani elites “elites.” However, for want of a better construct, these interest groups are referred to as elites—to be more precise, effective elites—in recognition of their inexorable effectiveness exhibited over time towards achievement of their not too hidden an agenda, maintenance and enhancement of the economic status quo.

This over-arching conglomerate of Pakistani elites, it is argued, is fundamentally composed of: (i) industrial elite; (ii) business elite; (iii) religious elite; (iv) military elite; (v) feudal elite; and (vi) sundry (non-profit sector, media, judicial and professional) elite. Not recognising the politicians and the bureaucrats as separate elite groups on Pakistan’s power drawing board is a fundamental deviation from the traditional typologies. It is simply because the bureaucracy (primarily generalists) exists as a *sine qua non* in the ever-existing framework of the state which under-grades the ruling coalitions to help the latter rig the public policy formulation process and occupy the state and its extractive system. After playing an active lead role in governing the state during the first decade of her existence, since the imposition of martial law in 1958, the bureaucracy had opted to (or was forced to) play a back-end subordinate role—pre-dominantly subservient and non-Weberian in nature. The mere fact that the paper inducts the generalist mandarins into the model as proxies and not as rational actor *per se*, does not mean that they do not operate as rational actors; they do, but in a basely and pecuniary way, and in utter subservience to the ruling masters—not at par with them.¹¹³ Similarly, the political elite do not exist as a separate entity in the model. They are rather composed of representatives of one of the six elite groups the primary objective of whom is not to dominate power structures *per se*, but to intrude into them so as to maintain and enhance the economic status quo. While industrial, business, religious, military, and feudal elite may be common constructs in Pakistan’s public policy discourse, the so-called non-profit, media, judicial and professional elite are a new trigger in the polity who now exhibit good grit not only to rig public policy formulation, but also its implementation in their favour—like their pre-existing peer groups.¹¹⁴ The subtraction of mandarins and politicians from the traditional typologies of Pakistani elites is potentially a new vista for future reflection, research and debate.

Properties of Pakistani Elites

It is interesting to note that Pakistani elites do not possess and reflect, if not all, most of the properties of Millsian power elite. Pakistani elites neither necessarily reflect any “class consciousness,” nor any similarities of “origin,” nor are they driven by a lust for power to control and shape the world according to their own higher peculiar ideal worldview—with probably notable exception of the religious elite. They also do not want

¹¹²Later in the study it will be delineated as to how the non-zero-sum transactions between the elites take place to control the tax policy formulation and enforcement of the fiscal codes.

¹¹³For a further and detailed elaboration of this point, see Muhammad Ashfaq Ahmed, “Pakistan’s Governance Goliath: The Case of Non-Professional Chairman, F.B.R,” *Pakistan Development Review* IV, No. 72 (2016).

¹¹⁴Hussain calls Feudal elites “Landowning elites”, and classifies Professional elites as “Emerging elites.” Shafiqat clubs industrial and business elites under common rubric “Industrial-merchant class.”

to dominate the world in the sense of its being a manifestation of an a-priori human faculty of acquisitiveness, excellence, and an extreme urge to prevail. Instead, they are motivated and driven by mundane, at times, lowly group-centric economic ambitions. In order to pursue their economic agenda they do not form any permanent alliances nor do they enter into any ideological battle-grounds. They quickly shuffle and change their positions from moment to moment and on issue to issue frantically looking to optimise their economic gains ruthlessly—at all costs, and at all times. In Pakistan, economic group-interest is the only permanent and defining factor in the formation and deformation of elite alliances—including ruling coalitions. They want, neither to rule nor be ruled, if it could in any manner, potentially jeopardise the economic status quo. But Pakistani elites are effective to the kill, go-getters of the highest order, and top performers when it comes to achievement of their own agenda. They have, over time, exhibited tremendous efficacy to put together ruling alliances which could under-write the economic-political status quo; which would not pose taxing questions; which would guarantee provision of subsidies, exemptions, and a dysfunctional extractive system. Husain accentuates this point by stating that the “hold of a narrow, self-centred elite on the economy ... is much stronger than in some other countries in the region.”¹¹⁵ Their focus and limited objectives (above-par economic gains) have earned them unparalleled success. Mumtaz, *et al.* provide interesting insight into inter-elite struggles and tactical ploys: “Given these proclivities of the business elite, the smaller scale and informal sectors have, in turn, responded to secure their own segmented territories. They have exploited institutional weaknesses by resisting documentation, and regulatory provisions, and even more tellingly by successfully evading state taxation, thereby leading to major revenue shortfalls.”¹¹⁶ While there could be haggling—at times, really fierce—on the size of the share that a particular group gets, but generally a consensus on the internalisation of struggle for a larger share prevails. Pakistani elites always like to play on “no holds barred” basis. They mount pressure on the polity’s policy formulation mechanics through back-door manipulation, lobbying, street-agitation, threat, strikes, and even violence, to achieve their economic agenda. They can even go to the extent of deforming and dismantling ruling coalitions and toppling governments if they perceive their economic interests to be in any kind of jeopardy—without much regard to the implications of their actions for the state; the masses—in combine with ignominious help from their foot-soldiers—generalist lackeys.

Elites’ Configuration

Illustratively, the control of Pakistan’s economic polity by elites can be equated with a minority-held corporation, that is, an entity in which minority shares-holders (elites) control the management—say, Elites Ltd. The majority share-holders—the people of Pakistan—sit on the margins sans any say in the management and decision-making of the corporation. A minority management, in theoretical terms, tends to get into rent-seeking, ad-hocist decision-making ignoring long-term sustainability imperatives and

¹¹⁵Husain, *Pakistan: The Economy of an Elitist State*, 339.

¹¹⁶Soofia Mumtaz, Jean-Luc Racine, and Imran Ali, *Pakistan : The Contours of State and Society* (Oxford; New York: Oxford University Press, 2002), xxiii.

attempting a reverse squeeze out¹¹⁷ on majority shareholders, a scenario that could potentially harm not only the silent majority but the corporation itself.¹¹⁸ The expected cumulative outcomes in terms of mismanagement arising from “minority control” of a corporation is almost comparable to the current state of affairs of Pakistan’s economy.

What is the predictable intra-elites pattern of influence over body polity of Pakistan in historical context? The intra-elites shareholding in Elites Ltd., over time has been changing, influencing each group’s ability to lead, co-opt, and pressurise the ruling coalitions into exercising suboptimal policy choices particular in the arena of tax policy. Military elite have consistently held a major share in Elites Ltd. Their influence has seen ups and downs but they continue to play the single most dominant role in the polity. The riches that the military elite have amassed over time, the specific exemptions that their corporations got during various periods of history, the special reduced tax rates, the complicated corporate structures, the clandestinely contrived economic transactions,¹¹⁹ and their defiance to submit to state authority in various realms of governance—particularly fiscal policy—all bear vivid witness to their ability to maneuver public policy and pursue their economic agenda with focus and single-mindedness. Religious elite, although driven chiefly by an ideological worldview, have not been oblivious of ferociously pursuing and protecting their economic interests. A virtually non-existent fiscal regulatory regime for non-profits is not only their forte but also their biggest camouflaged gain in the struggle for economic power in Pakistan. Industrial elite and business elite have most of the times operated in with each other except with regards to rare issues like imposition of Value Added Tax (VAT) etc. Feudal elite have seen their importance in Elites Ltd nosedive over time but nonetheless they have been successful in holding on to their assets which necessarily appreciate in value with time leaving them in a permanently advantaged position. Their single most notable gain has been to keep agricultural real estate and incomes arising there from insulated from any effective taxation. Their ability to diversify and swap the sources of income has also reaped optimal gains in that they are able to report their taxable incomes tax-exempt by claiming them from agricultural sources.

Sundry elite, a conglomerate of disparate sub-elite groups, that is, media elite—electronic media outlet proprietors, TV talk-show anchors, print-media journalists and op-ed columnists; professional elite i.e. chartered accountants, independent consultants with varying professional backgrounds; judicial elite i.e. superior court judges and lawyers; and the so-called non-profit organisations (NPO) professionals, passionately grounded in their libertarian worldview, are a relatively new phenomenon, but with good ability to effectively protect their economic interests. An exceedingly lax fiscal regulatory regime in respect of all sub-groups of sundry elite being overly facilitative in an

¹¹⁷In a plain sense, “squeeze out” refers to a situation wherein majority share-holders look to eliminate minority shareholders from the business of the corporation or even the corporation itself.

¹¹⁸David R. Meinster and Elyas Elyasiani, “The Performance of Foreign Owned, Minority Owned, and Holding Company Owned Banks in the U.S.,” *Journal of Banking and Finance* 12, No. 2 (1988).

¹¹⁹ While all interest incomes howsoever originating undergo inevitable axe of withholding tax, retired servicemen have the luxury to invest in a clandestine Army Welfare Trust scheme the yeild of which does not attract any withholding tax at source. Tax departments' efforts to get access to particulars of investors with corresponding quantum of investments, and have at-source taxation enforced as in case of other ordinary citizens, spanning over past three decades have never even come close to a success.

Comment [T4]: collusion

international comparison is an evidence of the fact that sundry elite have exerted significant amount of influence on the polity in recent years.

Media elite's ability to have near-complete monopoly over the ways and means of influencing public opinion gives them unmatched access and intrusion into the policy-making process i.e. by exerting pressure on the political structures. Their grit to take on a particular party, a group, or a government and cow it down through launching of frantic targeted campaigns speaks volumes about their recent rise and success. Understandably, there is absolutely no comparison between the quantum of business that the media industry generates annually and the collective revenue that it contributes to the national exchequer. Pakistani media elite, barring a few exceptions, betray a paradox in terms of their approach in that they are predominantly right-wing in a religious sense, and centrifugal in a political sense. They are perennially prone to sensationalisation,¹²⁰ and tend to take a secretive, socially fissured, and politically torn polity as a gaming zone. Media elite, as a class, are more interested in political instability as it lays them tremendous financial gains, and as soon as the new political dispensation takes its seat, media elite move quickly to draw fresh battle-lines and starkly divergent positions—one section launching an outright servile campaign in favour of the government relishing on the induced government-spending on its image-building, and the other against the government cashing in on the opposition's impatience to pull down the incumbent regime; either way, media's group gains continue to soar with time. Although, Barney has pertinently argued that information revolution supported and sustained by technological advancements, more often than not, is attended by "an explosion of diverse means and practices for engaging in public life," which, in turn, increases "the possibility of an invigorated and improved democratic politics,"¹²¹ the process does not appear to have set in Pakistan—at least, at the moment.

Likewise, professional elite have their own particularistic gains to their credit to prove they have the requisite ability to influence both formulation and implementation of policy in the country. The mere fact that they are generally well-educated and professionally trained helps them conveniently penetrate into ruling structures and influence policy decisions.¹²² Professional elite's ability to affect country's public policy in their favor gets a boost by their ability to be hired by international organisations, bilateral socio-economic assistance arms of various developed countries to carry out various studies and write reports cross-cutting all arenas of governance. Non-profit elite with close cooperation and support of religious elite have deftly guarded their turf and

¹²⁰There is evidence to indicate media elite's penchant to sensationalize and blow out of proportion any incident that would "sell," and lose interest in it as soon as actual facts concerning it come to light. See, for instance, Usman Manzoor, "Media Mum over Murree Girl's Death Case," *The News*, July 2, 2016.

¹²¹Darin Barney, "Plitical Communication in Canada: The Revenge of Publicity," *Global Media Journal—Canadian Edition* I, No. (1) (2008).

¹²²In 2013, one rare well-coordinated effort was made by FBR, Ministry of Foreign Affairs, and Economic Affairs Division to engage UN system in Pakistan to extract information about salary and consultancy incomes of their local employees and other consultants numbering about 500, who were not covered under the standard host-country exemption extended to qualified UN personnel, so as to enforce domestic tax laws on par with all other salaried taxpayers. Prolonged consultations, however, bore no fruit as under mounting internal pressure Douglas Hageman, Deputy Country Director, UNDP, chose not to divulge the critical information (FBR File No.F.3(32-A) Int.Taxes.05). One wonders if such brute informational iron-curtaining would have been possible in any other country.

interests—including but not limited to—a completely dishevelled non-profits tax regime. Judicial elite, a perceptibly maverick-like phenomenon evolved and developed around the judicial activism initiated and carried forward by the Chief Justice, Iftikhar Muhammad Chaudhry. The judicial activism gained momentum on Justice Chaudhry's removal by General Pervez Musharraf eventually transforming it into the so-called Lawyers' Movement. Judicial elite now exhibit exceptionally potent force to influence public policy formulation in Pakistan in their favour.

The capacity of an elite group to play a more dominant role than the other elite groups within Elites Ltd at different periods has had a direct correlation with (a) a group's ability to organise, clamour and exert pressure on the ruling coalitions directly or indirectly, and (b) its achievements in terms of the economic gains which when ploughed back in, increase its capacity manifold to exert more pressure on the state for favourable policy choices that can facilitate above-par economic gains as well as those that can ensure holding on to the riches that have already been stockpiled. The six key values as pointed out by Hyden, *et al.* namely, participation, fairness, decency, accountability, transparency and efficiency,¹²³ inter-relatedly undergrid quality and level of governance in a society. The perversely intra-elites wrangling for above-normal economic group gains undermines the very efforts of the state to perform its functions.

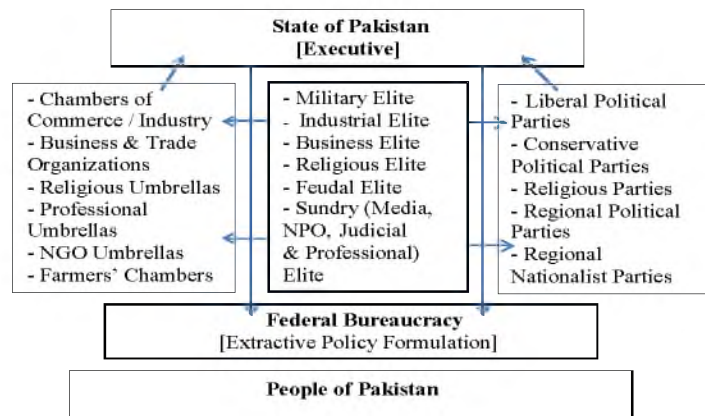
Elites' Policy Formulation Grid

How do elites operate and mount pressure on the polity to manipulate the extractive system through coercing it into exercising sub-optimal policy choices, and weakening of its enforcement arms, can also be depicted pictorially. In the figure below the elites positioned in central column articulate their interests to the state through political parties (right column) as well as through their umbrella representative organisations (left column). Political parties and umbrella representative organisations further articulate their interests at governmental level where, in theoretical terms, national interest aggregation takes place. Since ruling coalitions are essentially composed of elites' agents themselves, it does not take much (effort and time) reducing articulated interests into policy bits.

Any resistance from a rival group, if at all, is either fleeting or put up for public consumption, is overcome through pressure tactics, that is, through threat of withdrawal of support for the ruling coalition, exit from the cooperative framework, or of resorting to strikes, street agitations, and even low-grade violence. Historically, cooperation has come to prevail at all times and in all situations. Finally, the so called aggregated national interest trickles down to the bureaucratic organisation, where policy directives are processed and formulated into implementable policy pronouncements. At tactical level, this is achieved with the all-willing help of a generalist lackey already placed as head of state's extractive function. Intriguingly, elites perched in the state's heart of policy formulation process get heard and rewarded—almost invariably.

¹²³J. Court G. Hyden, and K. Mease, *Making Sense of Governance* (Boulder: Lynne Reiner, 2004).

Elitist Extractive Policy Formulation Grid



The grid further signifies that the elites control extractive function and successfully undertake to manipulate the tax policy through their generalist collaborators and conveniently shift fiscal burden from their own shoulders to those already marginalised and impoverished masses. The generalist cadres—lacking in skill and professional niche—enter into a symbiotic relationship with the elites through systematically orchestrated mutually self-serving transactional arrangements. The elites help the generalist mandarins monopolise important state institutions like FBR in return for favourable policies and their lax implementation. The end result of this symbiotic collusive elites-generalist relationship is that the entire fiscal policy formulation process is completely divorced from the citizenry of Pakistan.

The state's pronounced and exaggerated predilection to engage with only select factions, lends ears only to their interest articulation, and reflect only their demands in public policy outputs—leaving out the unorganised and marginalised millions—may be indicative of the fact that the state of Pakistan is in complete captivity, beholden to Elites Ltd. This is what Mushtaq Khan calls “political settlement (that) emerges when the distribution of benefits supported by its institutions is consistent with the distribution of power in society, and the economic and political outcomes of these institutions are sustainable over time.”¹²⁴ Jonathan et al, in the same vein, have argued that “Developing the capacity of the state to increase taxation is centrally determined by the balance of power, or political settlement, on which the state rests.”¹²⁵ A perversely contrived political settlement, as in the case of Pakistan, not only adversely impacts the masses but also their perception of the state, leading to further weakening of the state-society relations and impeding the process of state-building.¹²⁶

¹²⁴M. Khan, “Political Settlements and Governance of the Growth-Enhancing Institutions—Working Paper,” ed. School of Asian and African Studies (London: School of Oriental and African Studies, 2010), 1.

¹²⁵Jonathan Di John and James Putzel, “Political Settlements,” in *Issue Papers* (Birmingham: Governance and Social Development Resource Centre, 2009), 13.

¹²⁶For an in-depth analysis of the relationship between state-building and extraction within the context of Pakistan, see Muhammad Ashfaq Ahmed, “Pakistan: State-Building, Extraction, and (Misplaced) Societal Preferences,” *Journal of International Stability Studies* 2, No. 1 (2016).

Comment [T5]: Opinion! Citation needed!

IV. ELITES' RATIONAL ACTOR DILEMMA

The paper posits that the foremost tool and target of domination for Pakistani elites has been the state's extractive system. This is simply because a functional extractive system—depending on both the base and the rate applicable—could, on the average, cost elites up to 40 percent of their riches on an on-going basis; it is a substantial chunk.¹²⁷ Moreover, a strong tax system is difficult to hijack to obtain engineered exemptions and amnesties. So, the extractive system's domination becomes pivotal within the given framework of an elite-held captive state. This is where the elites get to confront a serious dilemma: they need to ensure *protection of their riches* but they also *need a state* to govern. Why would elites need a state to govern when the assumption is that they are not power hungry—megalomaniacs?¹²⁸ This is for two reasons. Firstly, state structure—if they could control, is per se a source of power, which could then be remodeled and re-employed to generate more riches. Secondly, prevailing pro-elite dispensation provides a robust certainty factor, which in an altered state-structure could not potentially be ensured and guaranteed. Now, sustaining of the state has a price-tag; it requires resources. Since elites have a vested interest in sustaining the state, and which is not possible without lining up definite amount of resources on an on-going basis; being rational actors they choose to sustain it at the least cost to themselves.¹²⁹

How then does the dilemma resolve itself? Or even does it? The elites venture to sustain the state for a conduit to amassing more wealth and underwriting already amassed wealth through two methods. Firstly, elitist state, should it be possible, prefers to extract internationally by selling whatever it could—security concerns, poverty, low human development indices, geo-strategic location, depleting natural resource base, degrading ecosystem, natural disasters, humanitarian crises, state-sponsored international mercenary services—to induce international rents-in-aid, grants, discount-credits, and even overly-priced loans. Pakistan's role in the Afghan conflict of 1980s, deploying military detachments in Middle Eastern sheikhdoms and its ever-readiness to offer military and police personnel for peace-keeping missions all over the globe under the UN umbrella are ostensible legitimate ploys of international extraction. The phenomenon is so embedded within the psyche of the polity, and wide-spread and grounded in its history that Pakistan could very well be called a rentier state of sorts.

The seeds of this trend could be traced back to the very inception years of the Pakistani state. Jalal explicating Pakistan's efforts in F/Y 1949-50 to generate the U.S. dollars to ensure uninterrupted purchases of defense-related hardware laconically observed: "This is why officials in the ministries of finance and commerce were busy working out strategies to increase Pakistan's availability of dollars. They had begun learning the ropes of the international financial system even if in the process they neglected to refine the art of domestic economic management."¹³⁰ In the same vein,

¹²⁷In a standard manifestation, an adequately functional tax system's impact could even be far more pinching when viewed in the context of proper application of Wealth Tax, Gift Tax, Estate Duty (Inheritance Tax), and Capital Gains Tax on real estate.

¹²⁸This point has been deliberated upon in the preceding section of the paper.

¹²⁹A "rational actor" is an agent who strategically weighs costs and benefits of alternative courses of action and chooses best course of action which is most likely to maximise his gains and utility.

¹³⁰Ayesha Jalal, *The State of Martial Rule : The Origins of Pakistan's Political Economy of Defence* (Cambridge [England]; New York: Cambridge University Press, 1990), 96.

Husain argues that “Russian invasion of Afghanistan in 1979 propelled Pakistan to the forefront of international political attention,” and that “Not only did it give political legitimacy to a regime which was facing credibility problems of its own, it also set the way for substantial infusions of foreign aid and war-related assistance that would... provide a safety valve for the Pakistani economy.”¹³¹ Khan confirms the view that “Afghan war... increased the level of foreign aid.”¹³² Although the proportion of grants increased from around 12 percent in late 1970s to around 25 percent in 1980s, mainly because of food aid and other funds intended for Afghan refugees, yet most aid was in the form of loans. It is significant that till late 1980s, international lenders and donors did not have too significant a role in the policy formulation process in Pakistan. However, the crucial role of IMF started to become more and more visible within the mechanics of policy formulation after 1988, when Pakistan conveniently graduated to the position of a country heavily dependent on foreign assistance. The backdrop, of course, was the reduction of Pakistan’s geo-strategic importance in the wake of Soviet withdrawal from Afghanistan that saw the era of rents-in-aid coming to an abrupt and being replaced by an epoch of lending-in-aid.

Comment [T6]: ‘end’ rather than ‘squeeze’

Nonetheless, Pakistan has been at the forefront, and quite deftly too, always trying to diversify modes of international extraction, particularly, in harvesting international assistance under IDA and ADF soft windows of the World Bank and the Asian Development Bank, respectively. It may, therefore, be not all that baseless if Pakistan’s public policy formulation process is generally regarded as donor-driven. Pakistan’s penchant for extraction at international level can, at times, take raw and bizarre turns. In 2009, Government of Pakistan approached the Government of Kuwait to open a donation-seeking charity account therein in the Prime Minister’s own name for relief and rehabilitation of internally displaced persons uprooted because of the Swat operation launched against the terrorists.¹³³ While effort was obviously aimed at harvesting Kuwaiti dinars over and above what Kuwaiti Government had officially committed, the request, per se, remained subject of varied interpretations. There is also a general perception that “most of the well-intended foreign aid is looted by corrupt governments and their politicians to fill their own personal coffers and hence augment their rule, and not to improve living conditions of all the citizens.”¹³⁴ Resultantly, patterns of economic growth of Pakistan is a patent graphic representation of “boom-bust cycles, where foreign injections led to sharp upward spikes”¹³⁵ but then since “resources were not channelled into high-impact investments, the GDP would plummet to a low equilibrium, where it stayed until the next round of conducive external facilitation.”¹³⁶ It has also been argued “that foreign aid in Pakistan was negatively associated with the long run GDP growth in

¹³¹Husain, *Pakistan: The Economy of an Elitist State*, 29.

¹³²Mohsin S. Khan in William E. James and Subroto Roy, eds., *Foundations of Pakistan's Political Economy: Towards an Agenda for the 1990s* (New Delhi; Newbury Park, Calif.: Sage, 1992), 175.

¹³³Idrees Bakhtiar, “Relief Account in P.M’s Name Arouses Suspicion,” *Dawn*, June 10 2011.

¹³⁴Somar Wijayadasa, “Good Bye to Foreign Aid,” *Z-Communications* (2011), <http://www.zcommunications.org/good-bye-to-foreign-aid-by-somar-wijayadasa>.

¹³⁵GOP, “Pakistan: New Growth Framework,” ed. Planning Commission (Islamabad: Plannin Commission, 2011), 3.

¹³⁶Vaqar Ahmed and O’Donoghue, “Redistributive Effect of Personal Income Taxation in Pakistan,” *Pakistan Economic and Social Review* 47, No. 1 (2009): 45.

the absence of macroeconomic fundamentals.¹³⁷ It has been argued, and not without good reason, that over-dependence on international extraction at the expense of domestic extraction has rendered Pakistan addicted to Western aid—allowing, facilitating and leveraging global games.¹³⁸

Secondly, since the international extraction is not possible indefinitely and without a definite degree of domestic resource-match, the elites compulsively need to undertake domestic extraction. Being rational actors they have to achieve it at the least cost to themselves. They achieve it through six modes.

One, the elites effectively exploiting their control of tax policy formulation as explained earlier, get to introduce an elaborate indirect taxes system so as to shift the maximum revenue burden onto the unrepresented and already marginalised sections of the society. The polity's proclivity to resort to indirect taxes to generate requisite amount of revenues from domestic sources has even been propagated by a number of reform initiatives instituted by Government over the past seven decades.¹³⁹ It was argued that "The role of sales tax should be enlarged and the function of generating a very large proportion of revenue from indirect taxes should be assigned to the sales tax which should eventually move towards the direction of Value Added Tax."¹⁴⁰ Likewise, "In the context of the development programmes in Pakistan," it was noted as far back as 1960, that "emphasis in the case of indirect taxes is being shifted...to central excises."¹⁴¹ Despite there being theoretical and empirically proven exhortations to the contrary, Elites Ltd has kept on pushing tax policy choices which suited them most and promoted their own economic agenda. Thus, it is not surprising if the indirect inland taxes coupled with the withholding-cum-presumptive taxes constitute about 80 percent of the total domestic resource base of the state.

Two, the elites effectively transform the state's direct taxes system into a quasi-direct one through the implantation of an extended withholding-cum-presumptive tax regime thereby conveniently allowing their own liability to be transferred to the socio-economic sediments and in the process getting a brute legal protection against preparation and audit of their financial accounts, and even filing of annual tax returns. It goes without saying that a quasi-direct taxation can have spurious impact on the economy in the long run as it does carry definite potential to interfere negatively with the distribution of wealth and proper functioning of the market. Khan has argued that "introduction of presumptive taxes in all forms—fixed, minimum tax or withholding tax as discharge of final tax liabilities" doing "away with the requirement of filing of tax return," and a "need to get registered with the

¹³⁷ A. W. Farooq and Vaqar Ahmed, "Nexus between Aid and Security: The Case of Pakistan," in *Country Paper for Policy Reforms and Aid Effectiveness* (Colombo: Institute of Policy Studies, 2010).

¹³⁸ Raza Rumi, "Wikileaks and Pakistan's Dysfunctional State," *The Express Tribune*, December, 3 2010.

¹³⁹ For an in-depth and elaborate analysis of all the tax reform commissions constituted so far and how those were elitist initiatives in their conception, formation, composition, proceedings, outputs and outcomes, see Muhammad Ashfaq Ahmed, "Elites, Extraction, and State Autonomy: Pakistan and U.S in Comparison," Area Study Centre for Africa, North and South America (Islamabad: Quaid-i-Azam University, 2015).

¹⁴⁰ GOP, "The National Taxation Reform Commission Report (Part 1)," (Islamabad: Ministry of Finance, 1986), 164.

¹⁴¹ Abdur Rab, "Pakistan Taxation Enquiry Committee Report," *The Pakistan Development Review* 2, No. 2 (1962): 203.

Tax Administration,” could have serious far-reaching implications for the country as “such a simplistic approach in the background, the Government’s efforts to build a comprehensive data base with the National Tax Number serving as the focal reference point may not materialise.”¹⁴² It was further argued that Government’s efforts in mopping up true revenue potential could, in the long run, come to naught, as once accustomed to a simple and generous tax regime, process would be difficult to reverse for determining accurate income for tax purposes.¹⁴³ “Thus, the short-run gains in revenue, if any, will be more than offset by the huge revenue losses in future.”¹⁴⁴ This is exactly what has happened. Extended withholding taxes regime with a PTR topping results in indiscriminate taxation as against targeted taxation, which is the hallmark of all good direct taxation. Indiscriminate taxation suits elites in a number of ways. It thwarts any chances of taxing various economic agents according to their true potential. Moreover, indiscriminate taxation propels and eggs economic agents in similar commercial conditions to form groups so as to be able to effectively articulate and protect their interests, a phenomenon that perpetuates the elitist operational paradigm and provides it with a moral justification. “Indiscriminate stepping up of tax rates with a view to raising the ratio of tax proceeds to G.N.P. can cause more harm than good and may even prove self-defeating.”¹⁴⁵ There is no doubt that PTR, apart from introducing a convenient under-regulation into the overall management and governance of the country, has also fomented “groupness” in almost all spheres of economic life.

Three, the elites choose to shift to non-tax revenues when matching share of domestic revenues falls short of desired levels. It has been averred that the Government’s “inability to raise the overall tax-to-GDP ratio was compensated by surcharges from natural gas’ and petroleum products’ sales,” whereby the “highest contribution from surcharges at 2.49 percent of GDP came in FY1999 when the tax-to-GDP ratio was at its lowest at 10.48 percent.”¹⁴⁶ In fact, non-tax revenues grew at a faster pace than tax revenues, that is, annually 15 and 14 percent in FY 1999-00 and in FY 2007-08, respectively, constituting about 1/3rd of the total government revenues.¹⁴⁷ Absence of a decent balance between the direct and the indirect taxes, an excessive withholding regime, and an aggressive imposition of “petroleum development surcharge pushed an overwhelming majority of Pakistanis towards, and a substantial number of them, below the poverty line.”¹⁴⁸ The prevailing tax policy matrix and the resultant perverse tax-mix

¹⁴² Ahmad Khan, “Presumptive Tax as an Alternate Income Tax Base: A Case Study of Pakistan,” *ibid.* 32, No. 4 (1993): 1001.

¹⁴³ *Ibid.*

¹⁴⁴ *Ibid.*

¹⁴⁵ GOP, “The Commission on Taxation and Tariff (First Report),” (Islamabad: Ministry of Finance, 1965), 7.

¹⁴⁶ Mahnaz Fatima and Q. Masood Ahmed, “Political Economy of Fiscal Reforms in the 1990s,” *The Pakistan Development Review* 40, No. 4 (2001).

¹⁴⁷ Kasper Richtor Jorge Martinez-Vazquez, “Pakistan Tax Policy Report: Tapping Tax Bases for Development,” in *International Studies Programme, Andrew Young School of Policy Studies, Georgia State University, International Studies Program Working Paper Series at AYSP, GSU* (Georgia State University, 2009), 7.

¹⁴⁸ Huzaima Bukhari and Ikramul Haq, “Oppressive Taxation and Poverty,” <http://thebeautifulpakistan.blogspot.com/2011/02/oppressive-taxation-and-poverty.html>.

may be clearly indicative of the state's insensitivity to the rising poverty, soaring inflation, a distorted Gini-coefficient, a flatter Lorenz Curve, and an unsustainable fiscal deficit—but still insufficient to alarm Elites Ltd in their cozy comfort zone.

Four, under an overwhelming domination of elites, the polity exhibits an ambiguous and pronounced tendency to promote charity not only under its own direct auspices, but also by keeping legal-cum-regulatory framework of charity-soliciting organisations lax and deficient for adventurers of all shades and hues. The exercise of such a policy has two distinct features: (a) At time of every crisis—big or small, natural or man-made—the state has scrambled to set up a charity account in the name of President or Prime Minister and heave an emotive appeal to the people for donations and contributions without realising that charities beg, states do not; states tax. (b) The non-profits regulatory framework, be it in the sense of registration laws, recurring reporting requirements, or fiscal regime, has been kept too lax, flexible, and riddled with loopholes—by design. This way the elitist state was conveniently able to shift a good part of its functions and responsibilities of providing public goods like education, health, and human rights to charitable organisations. Thus, it is not surprising that libertarian forces under the influence of mis-guided and half-baked notions nurtured by the sundry (NPO) elite have taken strong roots in the society, promoting all kinds of extremist views on both sides of the divide, obfuscating national policies thereby snatching initiative from the government and undermining the writ of state.

Five, the elitist state chooses to raise their loans to make up for the shortfalls in domestic extraction whereby elites are able to defer their tax payment indefinitely. The polity started resorting to this option full well from the very beginning as “Within a period of thirteen months between September 1948 and end of March of 1949, the Government of Pakistan were able to borrow about Rs 70 crores from the market, which may be contrasted with Rs 40 crores borrowed by the Government of India during the financial year 1949-50.”¹⁴⁹ This gave traction to efforts on international extraction. “When the revenue expenditure gap increased in the early 1980s, authoritarian governments at the time did not apply restrictions on borrowing, rather signed hefty loan deals with the U.S. and IFIs, which were possible in the wake of Afghanistan crisis.”¹⁵⁰ The propensity to borrow without due diligence was not confined to international sources; domestic sources were exploited ruthlessly, too. It was noted as far back as 1960 that “economy is burdened with a great deal of excess liquidity as a result of the unrestricted deficit resorted to by the previous governments.”¹⁵¹ The state's demand for dimes from borrowed sources continues to remain insatiated even today.

Six, for a last resort, the elitist state gets into extortion of no moral standing through multiple means. On each single occasion of national distress or calamity, a day or two's salary is subtracted from the paycheck of all government servants; at times even three or four days salary has also been deducted. It is done through a simple notification issued by the executive. On the other hand, fiscally vibrant states, whenever required,

Comment [T7]: Subjective – what does morality have to do with this matter?

¹⁴⁹C. N. Vakil, *Economic Consequences of Divided India; a Study of the Economy of India and Pakistan* (Bombay: Vora, 1950), 492.

¹⁵⁰Khan, “Political Economy of Fiscal Policy in Pakistan,” 19.

¹⁵¹GOP, “The Taxation Enquiry Committee Report (Volume 1),” (Karachi: Ministry of Finance, 1960), 30.

impose discriminate additional taxes on the persons who possess determinable capacity to pay on top of what they have already paid for the year. Likewise, extraction of money through National Accountability Bureau under “Plea bargain” mechanism, and indiscriminate collection of TV surcharge in utility (electricity) bills can be dubbed as direct extortion by the state. The advance Neelum-Jhelum (Hydropower Project) Surcharge is yet another trite example of state-sponsored extortion. It has been posited that none of the relevant laws provide for the imposition of a surcharge on an under-construction power project.¹⁵² Although Article 77 of the Constitution provided that taxability was essentially to be determined by the legislature and that the executive authorities had no power to impose any such tax, and Article 157(2)(b) stipulating that a tax on consumption of electricity could only be imposed through a law and that too by a provincial assembly, clearly stand in the way of Neelum-Jhelum (Hydropower Project) Surcharge,¹⁵³ yet the elitist state’s relentless insistence on imposition and collection could only be characterised as elitist state-sponsored extortion.

Thus, not surprisingly, in the recent past, public policy debate, almost entirely, both in and outside Pakistan has primarily revolved around either introduction of VAT (or any of its variants) or maximisation of international extraction through an increase in aid, loans or even foreign remittances, and to a lesser degree, around the rest of the aforementioned modes of domestic resource match. The polity’s total silence with regard to the two well-established theories that (a) a sustained inflow of international resources crowds out domestic extraction, and (b) direct taxes are far more equitable than indirect taxes—is intriguing. More intriguing may be the silence of the populace—the victims of their own silence. Gramsci has argued that over time the ruling classes develop a hegemonic culture that invents and promotes its own values, which surreptitiously and imperceptibly become ‘common sense’ values for all. This way the ruling elites could control the cognitive abilities of the society whereby the working class starts to identify their own good with the good of the ruling class, and thus helps the latter maintain the status quo rather than dismantle it.¹⁵⁴ One can perhaps read a lot of relevance in Gramsci for the present day Pakistan.

V. EQUILIBRIUM CONSENSUS SUBSISTENCE STATE

This is where the plot thickens; First prong of the rational actor dilemma i.e. international extraction brings chickens home to roost. Understandably, since Pakistan has to survive not in isolation but in a geopolitical environment, it finds its international stakeholders having vested interest in it for multiple overt and covert reasons. The mere fact that international stakeholders dole out money to Pakistan regularly, gives them some sort of legitimacy to contribute to the its decision-making process—cost of its running being no exception. While internal stakeholders (elites) acting as rational actors choose to contribute the minimum possible and attempt to extract the rest (maximum) from international sources, the external stakeholder also acting as rational actors prefer to

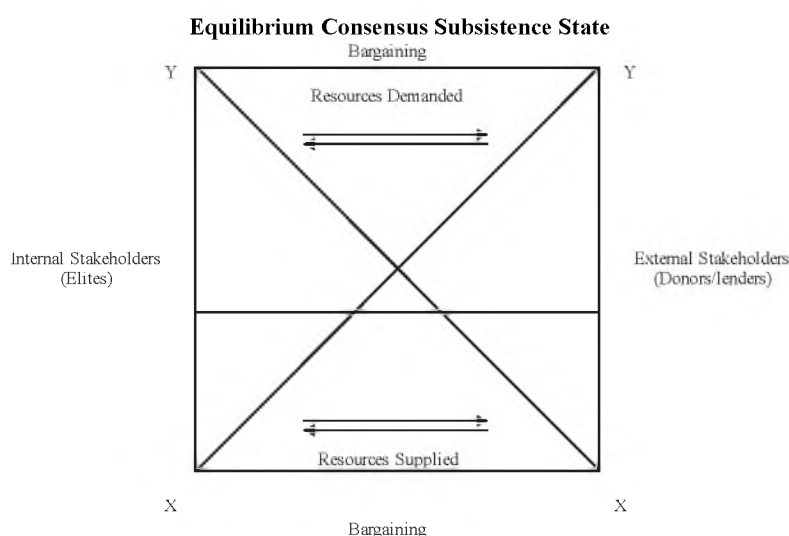
¹⁵²The relevant laws, in this particular case, are the Electricity Act, 1910; the Water and Power Development Authority Act, 1858; and the National Electric Power Regulatory Authority Act, 1997.

¹⁵³Faisal Kamal Pasha, “Neelum-Jhelum Surcharge in Power Bills Challenged in L.H.C.,” *Dawn*, November 23, 2014.

¹⁵⁴Antonio Gramsci, *Selecticns from the Prison Notebooks* (London: Lawrence and Wishart, 1971).

Comment [T8]: Replace with: to enable completion of

contribute the minimum, and exert pressure on the internal stakeholders to contribute the maximum by way of a domestic resource-match. Thus, Pakistan's both internal and external stakeholders get into bargaining and transactions on an annual formula to line up enough resources to keep the state afloat. Soon the equilibrium point is achieved through transactional payoffs between competing actors at which each side is happy with the level of its contribution—though in a dynamic setting.



The picture is a graphic representation of an equilibrium state depicting a consensus between internal and external stakeholders on contribution of each required to run it—not perhaps as a fully functional state but as a minimalist subsistence state. At the entry point, Elites Ltd wants to maximise on international extraction so that its contribution, i.e. domestic resource-match is minimal. In turn, the external rational actors also want to contribute the minimum and pressurise internal stakeholders to chip in the maximum. The equilibrium point is arrived at through gaming, bargaining, negotiations, and continuous engagements between the two competing rational actors. While on the one hand, it may now be understandable as to why Pakistan's tax collection is consistently running between 8-9 percent of GDP, and domestic borrowing coupled with international resource inflows make do annual budgets—barely sufficient to perform its avowed functions as a state in an insufficient manner, and on the other, it may be indicative of a consensus between internal and external stakeholders that Pakistan has to be kept going as a state—but perhaps at a bare subsistence level.

Although the elitist framework, as heretofore explicated culminating into equilibrium consensus subsistence state model, needs amplification through operationalisation and rigorous empirical testing, yet an irresistible question that flows out of the preceding debate is whether Pakistan is a rentier state? A state could be classified as rentier if (a) rents situations predominate; (b) the economy relies on substantial external rent and does not require a strong domestic productive sector and a

corresponding extractive function; (c) only a small proportion of the working population is actually involved in the generation and utilisation of rents; and (d) the state's government is the principal recipient of external rents.¹⁵⁵ It may, thus, not be coincidental and surprising that in Pakistan everything tends to be “international”—not so in substance as in nomenclature and denomination. Nomenclatures like Pakistan International Airlines, International Islamic University, Islamic International Medical Complex, and Multan International Airport, etc. may have something to do with the very psychic bent of the society which finds its moorings in international extraction. This trend is not limited to the public sector only; the private sector, non-profits and the clergy are also increasingly getting sucked into pseudo-internationalisation e.g. Shifa International Hospital, Quaid-i-Azam International Hospital, International Church of Karachi, International Islamic Relief, and International Gospel Mission Church etc. This is yet not all. Every other event in Pakistan of some or no semblance is international in style and nomenclature be it a flower, an arts, or a photography exhibition, a sports tournament, or a drama festival. It looks like that “becoming” international adds to legitimation and social acceptability of the entity or activity.

The facts that Pakistan has been at the forefront of two proxy wars in its neighbourhood over the past three decades; it is the single largest contributor of army and police personnel to UN peacekeeping missions abroad; it is one of the top exporters of labour force—both legally and illegally, educated and uneducated, trained and untrained; it is dependent on foreign aid and loans; it assumes the role of an international watchman particularly in the Middle East; it chooses to keep its domestic extractive system dysfunctional; and that majorly its governments—by implication elitist clique that historically forms and deforms governments—have been prime beneficiary of all international extraction, renders it pretty much a rentier state. In this respect, Wallerstein's influential World System Theory, adopting a multidisciplinary macro-analytical approach to the study of world history and social change and taking the entire international state system as the unit of analysis as against the classes in Marxist and the nation-states in the classical and realist schools of thought, can beneficially be put to use.¹⁵⁶ Wallerstein divides the world into core, semi-peripheral and peripheral states, and posits that while core states focus on highly skilled labour, capital-intensive production processes and sophisticated management controls, the production systems of semi-peripheral and peripheral states are significantly dependent on unskilled labour, extraction of raw materials and labour-intensiveness,¹⁵⁷ which technical advancement of the former (core country) production systems inevitably generates, secures and reinforces dominance of the peripheral world by the core world.¹⁵⁸ The core-state-peripheral-state framework when applied to Pakistan with particular reference to the performance of its extractive function and its resultant over-dependence on external resources to minimally maintain itself not only galvanizes but also justifies its dubbing as an equilibrium consensus subsistence state.

¹⁵⁵Giacomo Luciani Hazem Beblawi, ed. *The Rentier State*, Vol. II, (Nation, State, and Integration in the Arab World) (New York: Croom Helm, 1987).

¹⁵⁶Immanuel Maurice Wallerstein, *The Modern World System* (New York: Academic Press, 1974).

¹⁵⁷*Ibid.*

¹⁵⁸*Ibid.*

VI. CONCLUSION

In all fairness, Neo-Marxist Structuralism, and to an extent, state-centric scholarship did illuminate the debate upfront, but eventually it is the Neo-Marxist Instrumentalism that fits Pakistan in terms of the elitist framework developed and elucidated in the preceding sections. It may be, in fact, Instrumentalism-plus that near-fully captures phenomenon of the elite capture in Pakistan, which implies that the state of Pakistan is theoretically reducible to class act—contextually elites. When the status quo—system structure—is disaggregated into parts, that is, policy formulation processes with particular reference to state’s extractive system, one finds that the sub-system is thoroughly dominated and conveniently rigged by class-representing elites or their proxies—generalist bureaucratic cadres. Although the theoretical configuration of Pakistan’s elitist state as conceived in the paper is sufficiently empirical and elaborate, yet its further extension and build-up would certainly help define and explicate Pakistan with a greater degree of exactitude.

One of the core reasons for governance under-supply could be under-extraction by the state feeding into under-performance of its other critical functions e.g. coercion, redistribution, regulation—and simply put, supply of necessary public goods like education, and health. In turn, under-extraction may have been caused by below-par policy prescriptions and deficient enforcement handles handed down to an incapacitated administrative structure for implementation, for which arrangement is further exacerbated by incriminating absence of a holistic national level information aggregation system—sustained by Instrumentalism-plus unleashed with vengeance by an elite capture of an unparalleled intensity and gravity. What is obvious is that in Pakistan governance under-supply on part of the civil government institutions created large swathe of strategic space to be readily filled up by non-governmental and non-state actors to scramble, fill-in the vacuum, and promote their own agenda—theocratic, fundamentalist, ultra-modernist, anarchist—on the people and the polity alike.

Pakistan’s political leadership, in fact, could never really decide the “important question whether societies of men are really capable of establishing good government, or not. From reflection and choice, or whether they are forever destined to depend for their political constitutions on accident and force.”¹⁵⁹ Many countries have done that and many more are in the process of doing it. Illustratively, the U.S. political leadership, undertook a preemptive strike to co-opt factions and suck them into the system¹⁶⁰ by providing them a channel of interest articulation¹⁶¹ and by assigning the state an elevated role of an ultimate arbiter of (supposedly) just economic order and a harmonious society. Such rigorous reflection and its actualisation in the arena of state-building and governance, unfortunately, did not occur in Pakistan. The elite capture model does indicate that Pakistan may no more be an autonomous state; nor even a relatively autonomous state—it may never have been; hence, a captive state. Pakistan’s political oligarchs may have missed the bus to streamline and legally authorise the role of factions and groups in the polity by providing a system-sanctioned mechanism of transparent and across-the-board interaction between homogenous sectional clientele into which the society divides itself

¹⁵⁹Hamilton, Madison, and Jay, *The Federalist Papers*.

¹⁶⁰See, for instance, *ibid*.

¹⁶¹*The Federal Regulation of Lobbying Act*.

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and the government-sponsored politico-bureaucratic channels for above par policy outputs. The strategic vacuum so created induced a scramble for the state to be taken over that stands taken over full well as far as its extractive function is concerned.

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