

## **The Political Economy of Identity Groups: Conceptualisation, and Suggestions for Pakistan**

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### **INTRODUCTION**

Economic progress is a crucial topic. Studying the factors of economic growth and development has been at the heart of economists' research. There is a consensus among economists that these factors capital, labour and technology play the fundamental role in the economic development of a country. These three elements, when capitalized on to the fullest level, enable economic growth. But is it that simple? If this notion is true why is it that some of the countries are developed while others are still struggling to get better income position? Economists attribute economically developed countries success in making an efficient capitalization of these three fundamental elements and letting them thrive unfettered. Whereas this is not the case in poor countries. This argument leads to another crucial question that what are those constraints that hamper the growth of these three factors and what are arrangements that are pivotal to remove these constraints and let capital, labour and technology flourish? A peripheral branch of Economics called "Development Economics" undertakes the task of searching answers to these questions.

The economists endeavour to study, understand and investigate the human identities rooted in cultural claims under the label of "Ethnicity". They have figured through theoretical and empirical economics that African and many other poor countries have weak economies on account of clashing ethnic identities. This essay is aimed at raising the points that may

prove helpful in reducing the tension between several ethnic groups in Pakistan. I have organized this essay in a way that first, I attempt to explicate the relationship between identity crises and economy and then I go on to demonstrate that how some of the countries were able to solve the problem of identity crises. Next, I discuss the lessons to be learnt from the examples I am going to quote. I conclude my case by shedding some light on the on-going identity crises and its consequences in Pakistan.

The notion of identity cannot be understood in objectivity, instead, reflects our sense of self, therefore, is subjective (Atkins, 2004). Religion, colour, language, history and gender are the major formative factors of identity. Some identities are expressed and constructed through expressions other through religion. An individual may have multiple identities at a time. There are people who prefer to reject language, religion, colour and gender bases identities but some of their elements indirectly affect their behaviour and preferences. Therefore, we can infer that identities have a direct or indirect impact on our attitudes and actions.

## **IDENTITY AND ECONOMY**

There are two major ways in which identity impacts the economy.

### **Trust**

A country's economy comes into being when its citizens take part in their commercial activities. The more the mutual interest is between people, the healthier the economic activity will be (Zak and Knack, 2001). This economic exchange and cooperation cannot take place in the absence of mutual trust. Research has revealed that individuals prefer to engage in economic exchange with people they share their identity with as a result of their likelihood to trust them more. In every field of life, people with a shared identity encounter less unfamiliarity comparatively which leads to a shared sense of closeness. This unfamiliarity tends to more when interacting with people who have a different identity. It results in low mutual trust and economic exchange between them. Even an individual who rejects these cultural identities may accept the

influence of unfamiliarity and similarity. Hence, I argue that identities have a direct or indirect impact on our attitudes and preferences (Knack and Keefer 1997).

### **Resource Allocation**

Allocation of resources is the most vital part of economic growth, and economic output is largely dependent on it. Efficient allocation of resources ensures economic growth. A country where different identity groups exist, the politics of division and clash over national resources is likely to prevail. Eventually, the distance between identities widens. The politicians attempt to exploit this gap for political point scoring by using populist rhetoric and pushing the real issues aside. Any of them who comes into power favours the demands of people of his identity to win future political support. This unfair preferential treatment breeds a sense of inferiority among other identities. They encounter the situation by taking part in identity politics themselves in order to receive economic more and more advantages. This results in a spillover effect, a situation where one identity group's access to resources leads to other identity groups competing more and more for those resources as well. In this struggle, the resources get wasted away and the economy fails to yield desired results. Moreover, the identity group which remains the smallest minority suffers the most as it ends up having no or minimum share in power. Therefore, its sense of inferiority becomes stronger than any other identity group which gets more and more deepened over time. Eventually, the aggrieved group goes rogue against the state (which is only taking care of a majority's interests) by starting a violent struggle (Reynal-Querol, 2002). Researchers found that most civil wars were started as a result of ethnic tensions (Ray and Esteban, 2017). Africa which is divided into thousands of tribes is the best example in this regard. Let's take a look into the research of William Easterly and Ross Levine (1997) that explains the relationship between identities and economic development in Africa and other regions of the world.

William Easterly is a professor of economics at New York University. He wrote a research paper with another economist

Ross Levine in 1997. The paper aimed at seeking answers to two questions. First, after Africa got freedom from colonial powers, the economists expected that it would rise fast with a rapid growth rate. However, the aftermath contradicted this prediction. How did that come about? Secondly, economists attribute Africa's impoverished state to its low literacy rate, political instability, fragile financial system, high black-market premium, government budget deficits and weak infrastructure. Easterly and Levine pose a question that why African governments kept failing to formulate policies to address these issues?

Both researchers took data of all the languages spoken in the continent of Africa and organized identities on the basis of their languages. They also took the data of income of all African countries between 1960 and 1990. The statistics on education, political instability, financial systems, black market premium, government surplus/deficits, and infrastructure were also gathered. Both researchers used methods of econometrics in their research. The findings of their research indicate that the fight for power and resources between different ethnicities are a major reason for economic impoverishment in Africa. Easterly and Leone applied the same research methodology on countries of East Asia where ethnic homogeneity exists. According to them, one-third of the difference found between East Asia and Africa's economic development is attributable to the absence of conflict between identities of East Asia for a single ethnicity is predominant there, while in case of Africa clash exists between ethnicities as several identities exist there. This research paper of Easterly obtained so much popularity that up until now (at the time this paper is being written) it has been cited in 6448 research articles and papers. Ever since this paper came out, it has become common for researchers to take into account the role of ethnicities in the economic development of a country as an important variable, whenever they undertake research on the subject of economic growth or development of that country.

## **HOW TO DEAL WITH CONFLICTS BETWEEN IDENTITIES:**

As it has been discussed earlier in the previous section that without resolving the issues of identities, a sustainable development is not viable, now the question arises that how can we deal with these issues and what's the essence of the research work that has been done on the said issues so far by the experts of economics and politics. Answering this question is not so simple and requires a detailed explanation. I would like to write a few points here in this regard; the first three points are especially related to India.

### **Secularism**

India is a diverse country in terms of languages, religion and culture. Although this diversity seems to be an issue when it comes to political and social problems of India, however, it is a fact that this diversity doesn't pose any serious threat to India's economic progress and the reason for this is Indian secularism. It is for the Indian secularism that no resistant movement has been able to divide India (since its independence from British colonialism) into two or more entities on the basis of religion. It is a fact that secularism brings religion-based violence down (Seul, 1999).

### **Parliamentarian Democracy**

We know that Indian democracy is parliamentarian. The literature on political economy explains that the parliamentarian system favours diversity representing all identities. A presidential system is not successful in societies favouring diversities for the fact that it gives relatively less representation to all identities. The influence of representation in a democracy is so powerful that it prevents any single majority (formed on the basis of religion, language or any other basis for that matter) from hijacking state policies in its own interest alone (Denny and Walter, 2014). Remember that democracy alone cannot solve the problem of identities unless some important liberal steps – like freedom of speech, freedom of association, limited government etc - are taken, instead, in such a situation democracy can pave way for majoritarian dictatorship.

### **Decentralization**

India is separated into states on a linguistic basis which also means that language is a key and essential element of identity. A Majority of the political economy literature also divides identities on the basis of language. William Easterly in his paper (cited above) defines ethnicities in terms of division on the basis of language as well. In India, not only provinces are divided on the basis of their local languages but also these provinces' official and syllabus languages are local languages. In this respect, many lessons can be learnt from India.

The people of different identities (weak identities of poor countries in particular) from all over the world migrate to western countries in millions each year and start living there. The question to deliberate here is how the conflict between identities is dealt with in those countries and how new identities are integrated into local identities. We must remember that immigration has proved to be beneficial to Western economies (Goldin, et al. 2018). The lesson we learn from this is that finding practical solutions for issues of diversity can render it favourable for the economy. Let's see how these issues are solved in the Western world. Next three points discuss the experiences related to diversity in Western countries.

### **Western Liberalism**

Western liberalism encompasses freedom, fundamental human rights and justice which enable every individual to enjoy the freedom and equal opportunities without any discrimination on the base of race, colour, language and religion etc. It is the Western liberalism and capitalism that attracts people with different identities who prefer living in Western countries to peruse prosperity and happiness.

### **Market System:**

In Western economies, resources are mostly allocated through the free market, and free competition is encouraged so that hard work and innovation must be promoted and rewarded. Moreover, individuals who fail cannot blame their failure on the state for providing no opportunity and discriminating. Resource allocated through measures other than hard work, innovation and productivity in the market system make the

deprived sections of the society suffer from a sense of inferiority. Therefore, they politically organize in order to take control of those resources (Steinberg and Saideman, 2008).

**Rule of Law and Elimination of Discriminatory Laws:**

The rule of law encourages diversity and helps it to expose its potential benefits. It is important that law must not negate individual freedoms, fundamental human rights and the principles of equality and justice. Hayek (2014) has suggested in his book “The constitution of liberty” that protection of diversity can be achieved through the elimination of those laws that address only an identity even though that identity is based on any class-based division. Laws must apply to all citizens equally without any discrimination. There should be no law under which men and women or citizens of FATA and the rest of Pakistan or rich and poor are treated differently. The identity crises can be avoided if the treatment of all citizens is equal under the law and the rulers perform their duties in accordance with that.

**Economic Growth:**

When the growth in economy increases, its magnitude, employment and business opportunities swell as well, and everyone benefits from it. The increasing growth rate boosts the economic exchange and cooperation among different ethnicities (Ray and Esteban, 2017). Likewise, people familiarize with each other while engaging in economic exchange which helps in reducing tension among different ethnicities and promoting diversity. However, it needs to remember that the issue of endogeneity exists here as discussed before, if the identity clash is not removed or minimized, economic growth is not possible.

**Dialogue between Ethnicities:**

The distance between various ethnic groups can be reduced through communication and dialogue between the people of different identities which can result in reduced unfamiliarity and increased mutual understanding. This process develops better social, political and economic connections among them and resolves their conflicts. Unfamiliarity may create misunderstandings whereas connectivity and dialogue bring people close (Nagda and Zúñiga, 2003).

### **WHAT DOES PAKISTAN NEED TO DO?**

Pakistan, first, needs to make an admission that it is a multi-ethnic country. Every province has its own language and so as its unique identity. Moreover, there are various sub-languages spoken in all provinces and these sublanguages also have their unique identities. Pakistan not only needs to understand these distinct identities and their historical significance but also stand for their social status that they truly deserve.

Secondly, national identity is not independent of citizens' individual identities. Sheikh (2018) identifies that Pakistan has been embroiled in an identity crisis since its inception and has remained in search of it ever since. The reason behind it is that Pakistan failed to create harmony between national and individual identities. The fact is that Pakistan's national identity is nothing but how its citizens identify themselves. Punjab is inhabited by two predominantly ethnic groups Punjabi and Siraiki and they take pride in their identity. In Sindh province, a majority is divided between Urdu speaking and Sindhis speaking ethnicities. However, Karachi's population has a multi-ethnic make-up and various ethnic groups are visible there. Baluchistan province is constituted of Balochs and Pashtuns. Besides, one million Hazarvi are also a major part of its population. Pashtun and Hindko, the both, are the biggest ethnic groups in Khyber Pakhtunkhwa province. Likewise, the members of Kailash tribes and inhabitants of Gilgit Baltistan are also part of Pakistan's identity. As long as Pakistan keeps importing its identity from foreign cultures or imposes the identity of any single ethnic group over all other ethnicities, the tension will keep heightening and harmony among citizens will not be achieved. This will bear the same result that has been pointed out in section 2 of this article. It is important to note that Pakistan has experienced the consequences of such an attempt in the past. Bengalis were denied their identity until 1971 which led to the separation of East Pakistan from the rest of the country. Hence, I argue for the formation of provinces in Pakistan on the basis of linguistic ethnicities. It will definitely lessen ethnic tensions by allowing provinces to have their distinct identities, preserving and nurturing their unique culture



and history and strengthening their relationships with the centre.

Thirdly, Pakistan needs to learn lessons from the rest of the world. I have already referred to some of the points in section 3 of this article which should be taken into account in this regard. It is important to make a clarification here that some might reject the religious diversity in Pakistan as 95% of its population consists of Muslims. However, the fact is various sects of Islam remain in friction which disapproves the idea of religious homogeneity in Pakistan. This sectarian heterogeneity is increasing with the time and Sunni-Shia divide is a testimony to this fact. The solution is the tolerance and respect for all religions and sects, moreover, the state must not sponsor any one particular sect. I strongly believe that secularism is the only way out in this regard.

In a nutshell, the issue of identity is very critical as it not only impacts human behaviours but also plays a crucial role in the economic development of a region and a country. Ethnic conflict hinders economic growth and development. Diversity is not an impediment in many countries of the world. Instead, it strengthens society. Pakistan should learn from these countries and all big and small sub-identities should be fundamental to the construction of its national identity. The national identity should encompass all sub-identities.

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