



### **SBP organizes lecture on State Capacities for Delivering Higher Economic Growth**

State Bank of Pakistan (SBP) organized the 21<sup>st</sup> Zahid Husain Memorial Lecture at a local hotel in Karachi on December 12, 2016. Professor Timothy John Besley the W. Arthur Lewis Professor of Development Economics and Political Science at London School of Economics (LSE), UK, delivered the memorial lecture titled, “State Capacities for Delivering Higher Economic Growth”.

In his lecture, professor Besley shed light on the role of state capacities stimulating economic growth. He defined the state capacities as “the forms of capital which make the government work more effectively”. He discussed three types of state capacity namely fiscal capacity, legal capacity and collective capacity. He argued that these capacities are built up over time, co-evolve and complement each other. He explained the process the fiscal capacity supports legal capacity; the legal capacity supports collective capacity and then collective capacity supports fiscal capacity completing the loop.

The lecture also explains what stops incumbent government investing in its capacity building. One reason is that benefits can only be harnessed in the long run, while their tenures are short. He showed those countries having established strong constraints on the executives end up with political peace and coherence of the society. Thus by reducing the cost of investment on capacity building achieved higher development level. Strong executive constraints can provide insurance against poor decisions by the executive, electing low quality executive policy makers and reduce the downside risks. He argued that countries with strong executive constraints have long historical struggle to reach there. In this regard the supportive norms and values are also important along with establishment of rule-based governance. At the end of his lecture professor Besley provided a frame showing the future trajectory of Pakistan.

Earlier, in his inaugural address Governor State Bank of Pakistan Mr. Ashraf Mahmood Wathra introduced the guest speaker and recounted his achievements in the field of economic research and policy making. Governor emphasized the role of strong and quality institutions, efficient allocation of resources, promotion and protection of new knowledge and infrastructure development in furthering the growth agenda of the state. He also highlighted the role of State Bank of Pakistan in solidifying state efforts to achieve a higher and sustainable economic growth in Pakistan. “In fact, SBP is one of the few central banks having economic development as part of its mandated act”, said the governor.

It may be mentioned here that on the occasion of silver jubilee of State Bank of Pakistan in 1973, the Central Board of Directors decided to institute an annual series of lectures delivered by eminent economists and financial experts and to name the series after the bank's first Governor Zahid Husain. In 21<sup>st</sup> lecture of the series, high officials of the government of Pakistan, faculty members of various universities and bankers also attended the lecture.

Justice (retd) Mr. Nasir Aslam Zahid, son of (late) Mr. Zahid Husain graced the occasion as chief guest. A short video in the beginning was also shown to the audience that familiarized them with the achievements of (late) Zahid Husain and his role in providing foundation and nurturing a vibrant financial system in Pakistan.

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## External Relations Department

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