Conference Highlights

Centre for Business and Economic Research

This report features insights from the 4th Annual International Conference: *Rethinking Economics in the Contemporary World 2024*, that took place on 9th and 10th December 2024 at the IBA, Karachi. This conference was organized by the Centre for Business and Economics Research (CBER), and School of Economics and Social Sciences (SESS).

This year's conference focused on the development of technology, the immediate effects of climate change, complex geopolitical situations, substantial migration, rapid urbanization, increasing income inequality, the emergence of digital economies, and global health crises. These issues have amplified uncertainties and accelerated changes in the economic landscape, underscoring the imperative for better insights and new perspectives in economics profession. This conference recognized the new paradigms and shifts in economic thinking.

Lubna Naz, Director CBER, gave the opening remarks and stressed that this year's conferences' focus was to rethink existing paradigms and seek solutions to existing challenges. She expressed deep gratitude to the Executive Director, the organizing committee, to the sponsors and the volunteers. She discussed the selection process, noting that only 40 out of the more than 100 submitted papers were selected for presentation, ensuring a high-quality program. She highlighted the significant representation of women among presenters (25%), and panellists showcasing a commitment to promoting gender diversity in research. She stated that the conference features a diverse range of speakers, including early-career faculty and researchers from various regions of Pakistan. Lubna Naz acknowledged the crucial support of various partners and sponsors, including the government, private sector organizations, and individuals, without whom the conference would not be possible.

Akbar Zaidi gave the opening remarks and stressed on the importance of reading books and newspapers. He expressed his concern about the current state of economics, particularly the overemphasis on mathematical models and the neglect of real-world issues and the specific context of Pakistan. He argued that current economic theory, particularly as taught in textbooks, often fails to adequately address the complexities of the Pakistani economy. He emphasized the

need for a more interdisciplinary approach, incorporating insights from history, sociology, and political science, to better understand economic realities. Akbar Zaidi stressed the importance of considering the unique political and social realities of Pakistan when analyzing economic issues. He cited the example of taxation, highlighting the low tax-paying population and the political complexities involved in tax reform. Akbar Zaidi called for a fundamental rethinking of how economics is taught and researched in Pakistan. He advocated for a greater focus on local issues, a more nuanced understanding of the Pakistani context, and a more critical examination of existing economic theories.

> Growth in developing Asia is expected to remain solid and is close to pre-pandemic level rates for the region excluding China. The Pakistan's growth is projected at 3% in FY 25 supported by a stable macroeconomic environment and improvement in private investment.
> --- Marcel Schröder

Kiyoshi Taniguch and Marcel Schröder, representatives from the Asian Development Bank (ADB) outlined their ongoing work in Pakistan and their commitment to supporting the country's development through their five strategic priorities: climate change, private sector development, regional cooperation, social inclusion, and good governance. Marcel Schröder presented the economic outlook for the Asian region, highlighting key factors such as inflation, growth, and potential risks. He discussed the impact of factors such as the US Federal Reserve's monetary policy and geopolitical tensions on the regional economy. He discussed the economic situation in Pakistan, emphasizing the need for continued policy reforms to sustain economic recovery. He highlighted the importance of successful implementation of ongoing reforms to achieve sustainable growth. Marcel Schröder emphasized that the success of Pakistan's economic recovery hinges on the successful implementation of ongoing policy reforms. This suggests that the ADB believes that further policy adjustments are necessary to ensure sustainable economic growth. While acknowledging the recent stabilization of the macroeconomic environment, he cautioned that challenges remain. This implies that maintaining macroeconomic stability, including controlling inflation and managing external imbalances, continues to be a critical concern for

Pakistan. He identified several external risks to Pakistan's economic outlook, including global economic uncertainty, geopolitical tensions and climate change.

> The agriculture forecast for the FY 25 is relatively poor so it is expected that food inflation will kick-in in the future. --- Kiyoshi Taniguch

Kiyoshi Taniguch stated that ADB provides policy advice and technical assistance to the Pakistani government on a range of economic and development issues. This includes helping to improve economic management, strengthen institutions, and enhance the business environment. Inflation has declined significantly, with the forecast revised down to 10% for FY25 and this was primarily due to the base effect and the decline in food prices. However, risks remain, including potential food price increases and the impact of monetary policy. Kiyoshi Taniguch emphasized that reforms are implemented incrementally and that significant changes are not expected overnight. He highlighted the agriculture tax program as an example of a critical reform that was initially debated but is now being implemented. He emphasized that inflation, particularly high inflation, negatively impacts the poor and vulnerable populations. He acknowledged that inequality remains a significant challenge in Pakistan, with a small portion of the population benefiting disproportionately from economic growth.

The panel session "Rethinking International Trade in a Digitalized World" was moderated by Aadil Nakhoda. This was followed by the session on "Growth, Trade and Digitalization" moderator by Manzoor Ahmad. These sessions emphasized that digitalisation and artificial intelligence has presented challenges and the opportunities for Pakistan, and it needs to utilize digital platforms effectively to encourage greater international trading activities. The day concluded with a conversation on "Economists as Vice Chancellors" between Akbar Zaidi and Ali Cheema. The discussed that strong

leadership, sustained vision, and structural reforms are essential to improving Pakistan's higher education.

The second day of the conference started with "Reserve a Table with Experts". For students, this provided a unique opportunity to gain invaluable career advice, explore potential research avenues, and build professional relationships that can significantly benefit their academic and future career trajectories. Interacting with experts allowed students to gain a deeper understanding of real-world applications of their studies, ask questions about their career paths, and receive personalized guidance on their academic pursuits. This session provided them with valuable connections that can open doors to internships, research opportunities, and future employment.

The panel session on "Institutions, Laws, and Development" was moderated by Faiz ur Rehman and focussed on effective governance that requires mechanisms to constrain the arbitrary power of the state and promote rule-based decision-making. The session emphasized that independence of the judiciary is critical for maintaining the rule of law and ensuring fair and timely justice, requiring reforms in both judicial appointments and case management processes to reduce delays and political influence.

The session “Behavioral Insights” was a conversation between Asma Hyder and Sheheryar Banuri. The conversation traced the origins of experimental economics back to early experiments by Edward Chamberlin, which were later refined by Vernon Smith. They discussed that the work of psychologists Daniel Kahneman and Amos Tversky, with their Prospect Theory, significantly challenged traditional economic assumptions of rationality. The concept of "bounded rationality," introduced by Herbert Simon, further contributed to the development of behavioral economics. Behavioral economics challenged the traditional economic model of the "rational actor" by acknowledging limitations in human decision-making, such as limited information, cognitive biases, and emotional factors. This concept, introduced by Herbert Simon, recognized that individuals have limited cognitive capacity and may not always make perfectly rational decisions. The discussion highlighted other factors that influence human behavior, such as bounded self-control (impatience), bounded self-interest (concern for others), and social norms.

> Traditional incentive structures, often focused solely on monetary rewards, may not always be the most effective way to motivate individuals. Policymakers should consider a broader range of incentives, including intrinsic motivations, social recognition, and the provision of resources that are scarce and valuable to the target population. --- Sheheryar Banuri

The conversation explored the role of incentives, particularly the distinction between extrinsic (e.g., money) and intrinsic motivations (e.g., personal satisfaction, social recognition). It emphasized that extrinsic incentives may not always be the most effective motivators and that other factors, such as social norms and personal values, can significantly influence behavior. Sheheryar Banuri provided a real-world example of how behavioral economics research can inform policy decisions. A project in Burkina Faso demonstrated that simply removing fees for healthcare services for the poor resulted in better health outcomes than providing financial incentives to doctors to treat poor patients. This example highlights the importance of understanding and addressing the motivations of individuals involved in healthcare delivery. Sheheryar Banuri highlighted that while field experiments are valuable, they are not the only way to gain insights into human behavior. Other

> It is important to conduct rigorous research, including field experiments, to understand human behavior and inform policy decisions. Governments and policymakers should invest in research that explores the effectiveness of different interventions and provides evidence-based insights for policy design. --- Sheheryar Banuri

research methods, such as surveys, observational studies, and theoretical modeling, also play crucial roles in understanding and addressing economic and social issues.

The conversation highlighted the concept of "social proof" – the tendency for individuals to observe and imitate the behavior of others when faced with uncertainty. This phenomenon, illustrated by examples like mass fainting in schools and panic buying during crises, demonstrates how human behavior is significantly influenced by the actions of those around them. The discussion critiqued the traditional economic model of the "rational actor," emphasizing the limitations of this model in explaining real-world human behavior. Behavioral economics, by incorporating insights from psychology and other disciplines, provides a more nuanced understanding of decision-making processes.

Key Take aways:

- Extrinsic rewards, such as money, may not always be the most effective motivators and can sometimes have unintended negative consequences.
- Interdisciplinary research is important to draw insights from psychology, sociology, and other fields to understand human behavior more comprehensively.
- Researchers should prioritize ethical considerations in the design and implementation of all field experiments, ensuring that the well-being of participants is paramount. This includes rigorous ethical review processes, careful consideration of potential risks and benefits, and obtaining informed consent from all participants.
- Individuals often look to others for cues on how to behave, especially in uncertain situations. This understanding has important implications for policy design, as it suggests that social norms can be leveraged to encourage desired behaviors.

The conversation underscored the ethical challenges associated with conducting field experiments, particularly in developing countries. Sheheryar Banuri emphasized the importance of prioritizing the well-being of participants and obtaining informed consent. He discussed the example of a study that unintentionally harmed students with low attendance and highlighted the crucial need for careful consideration of potential negative consequences before conducting field research. He discussed the increasing importance of data-driven approaches in behavioral economics. The "data revolution" allowed researchers to analyze individual-level data and understand the heterogeneity of human behavior more accurately. This shift away from one-size-fits-all models is expected to significantly impact the field in the future.

The session on “Dialogue on Internationalization of Education” was a round table discussion with the Sindh Higher Education Commission chairman and academicians from national and international universities. This session was moderated by Dr. Asma Hyder. By bringing together renowned academics and policymakers, the sessions aimed to facilitate the exchange of knowledge, ideas, and best practices. This included

the development of joint research projects, student and faculty exchange programs, and capacity-building initiatives.

The two-day conference concluded with concluding remarks and souvenir distribution to the conference volunteers and team members.