

Distributive consideration in institutional change: the case of Zia's Islamization policy in Pakistan

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Abstract Institutional change is an interactive process that results from the social interactions of economic actors. Several perspectives like ideology, efficiency, or distribution etc. are relevant in studying institutional change. In this paper, the distributive consideration is analyzed and an argument is made in favor of this approach by providing evidence from Pakistan's *Islamization* policy. Our analysis shows that Zia's *Islamization* program was motivated by his search for legitimacy, and his rent-seeking interests. Domestic legitimacy was achieved through the introduction of Islamic clauses in the constitution as it was a popular demand in a state which was already established through a religious rhetoric. The *Islamization* program also helped in attaining international legitimacy as the religious circles informally initiated *Jihad* against Soviet Union in Afghanistan. The *Islamization* policy and *Jihad*, in turn, resulted in windfall gains in the form of US economic and military assistance that led to a voracious rent-seeking in the Pakistani society. After the detailed descriptive analysis, we model this situation in two-stage rent-seeking activities. We show how the rent-seeking contest among various interest groups results in institutional change as an equilibrium outcome. Our results indicate that Pakistan's *Islamization* program is associated with the parameter shifts in our model.

Keywords Institutional change · Distributive consideration · Zia's *Islamization* program · Interest groups · US military and economic assistance

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