

# Reforms in higher ed

The task for the Higher Education Commission seems to be cut out. It has to not only get research going in our institutions of higher learning, it has to start improving the standards of teaching and learning in these institutions as well. Students need to learn skills well and they need to acquire skills that are current and relevant, and some of them need to go to the advanced level as well. Students need to have the latest information, knowledge and techniques.



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**Credit market imperfections lead agents to design innovative local institutions.**

But most important of all, students need to be well educated. A well-educated person knows how to learn, she knows some areas well, understands foundational issues and can develop and sustain an argument. This is the element that is the single most important factor that is missing from most Pakistani educational institutions.

When I was doing my bachelors degree in one of the leading degree colleges in the country, I did not have a single teacher who could make the subject come alive. The mathematics teacher came to class and solved every problem in the book on the board but could never tell the basis for any of the solution methods and would never link what he was doing with anything else in our lives. The statistics teacher went through the index numbers bravely, but never gave us the context for it. The economics teacher was even worse. In a subject that lends itself so readily to connections with the world that the students see and interact with every day, he could not make any connections. Clearly he was not fit to be a teacher and clearly the institution failed to deliver what it had promised and what it should have delivered.

When I see the local university system of education I see the same faults still persisting. Since I teach economics the examples will come from that realm. Most teachers that I have met have failed to inspire me. I am sure they have the same effect on the students. The curriculum that is taught is quite old. But more importantly, the methods that are used for teaching and the thinking of teachers who are teaching economics is quite dated. It is this, more than anything else, which is the cause for poor teaching in economics. Let me give a couple of illustrative examples. A lot of textbooks in economics cite agricultural commodity markets as ideal-types of competitive markets. Commodity markets, say the market for wheat, tend to be good candidates as we have large numbers of suppliers and buyers, more or less homogeneous products, relatively free entry and exit and fairly low information requirements in these markets. But the most interesting thing is that empirically speaking there is hardly any country in the world where the wheat market is totally competitive. In almost all countries governments intervene in this market by subsidizing it, providing price ceilings or floors, subsidizing stocks and storage, and by restricting the free export and import of the

product. Very few teachers take this head-on. Few economics teachers know the subject well enough, are trained well enough, or have thought enough about the subject to look at such puzzles so as to be able to use them to create student interest and better understanding. And even fewer economists in Pakistan do any research to be able to have enough interesting material to make the subject come alive for their students.

And microeconomics raises so many other interesting questions with regard to Pakistani markets, and questions that have the potential of getting most students excited about the subject, but I have seldom come across a student who has been thus challenged by her teacher. It is fairly easy to show that the taxi market in a city needs to be regulated, with entry restrictions and tariff setting, for the market to have an equilibrium, yet we know most urban taxi markets exist in Pakistan without such regulation. How do they operate?

We know credit market imperfections lead agents to design and create very innovative local institutions to deal with such imperfections. These include committees (pooling of money through a smaller group), reciprocity relationships, gift relationships, investment in social networks and so on. And Pakistan has all of these and more. Yet few teachers take advantage of this variety and richness of institutions to bring out the economics behind most of these structures.

High transaction costs involved in long-term contracting constrain Pakistani firms to design complex contracts and arrangements that function with little or no reliance on formal legal and administrative frameworks. For example people rely on reputations, risk sharing, repeated interactions and 'hostages' to deal with the lack of availability of a reasonable cost legal framework. But there is almost no documentation of these interesting contracts, and I have heard of few teachers who even know about them far less use them for teaching purposes.

On the macroeconomic side too the Pakistani markets give very interesting examples and variations on the basic principles that could make learning economics almost a pleasure. Inflation plays a much larger role in developing economies than it does in developed ones. Most textbooks from the US and UK give little attention to inflation, especially re-