

Q: Political instability leads towards economic crisis. Evaluate.

1. Introduction

2. Correlation of Politics and economy

3. History of Political instability in Pakistan

4. Factors of Political instability which leads towards economic crisis:

i. Poor governance slow down the progress of developmental projects.

ii. Defective Public spending policies leads towards low human capital.

iii. Low trade connectivity starts depleting Foreign exchange reserves.

iv. Low confidence and uncertain economic situation de-motivate FDI

v. Weak fiscal policies depreciate Exchange rate.

vi. Weak law and order situation increases Costs of Doing Business.

vii. Black Market growth and Mafia's responsible for decline in remittances.

viii. Weak Budget structure and high

points are good. but indicate their relevance to political instability as well specifically.

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- ix. deficit results in high inflation. Poor accountability causes rampant Corruption.
- x. Poor security and involvement of officials responsible for money-laundering and terror - financing.
- xi. Lack of reforms in Production sector decline exports.

#### 5. Recommendations for Political stability and Economic Prosperity:

- i. Effective system of accountability and transparency stop Corruption and money-laundering.
- ii. Good governance and Tight fiscal policies will attract Foreign investors and reduce inflation.
- iii. Reforms in key institutions, improve remittances and increase exports.
- iv. Better security and law and order situation will increase the progress of developmental projects.

#### 6. Critical Analysis

#### 7. Conclusion