

Economic Crisis: A long way to recovery with no shortcuts.

1) Introduction

Thesis Statement: Economic Crisis is one of the biggest challenges faced by almost all the nations globally. The conflicts among nations and the ~~manage~~ ^{presence} of debt trap are the biggest causes of the economic crisis. However, by formulating and implementing proper policies, this issue can be ~~overcome~~ ^{resolved} easily.

2) Economic Crisis ~ A long way to recovery with no shortcuts

3) Causes of Economic Crisis

- a) Hike in policy rate all over the world
- b) Debt trap leading towards long term financial instability
- c) Hike in policy rates
- d) Conflicts between global powers disrupting the supply chain

4) Impacts of Economic Crisis

- a) Political instability in the country
- b) Rise in inflation
- c) Increasing poverty rate in the nation
- d) Malnutrition among children

5) Way forward for the recovery of economic crisis

a) Subsidizing export oriented sectors for improving forex reserves

b) Expanding tax net to increase revenue

c) Supporting remittances from abroad

d) Hike in tariffs to overcome the economic crisis

e) Providing financial education on grass root level

f) Promoting online earning platforms in order to attract dollars

6) Conclusion

g) Attracting FDI by providing an integrated business environment to the investor

"Corruption is paid by the poor"

-Pope Francis

In the above quote pope Francis projects the negative impact of corruption on the society. Similarly, economic crisis is one of the biggest issues in the contemporary world.

This is exacerbated by the policy rate hike and the mismanagement of debt trap. Likewise, disaster and conflicts all over the world lead to economic crisis. Moreover, there are many impacts of economic crisis which include political instability and rise in inflation. Also, malnutrition among children and the rise in poverty rate are triggered by economic crisis. However, certain steps can be taken to tackle this problem.

Firstly, subsidizing export oriented sector is the need of time. Additionally, expanding the tax net and supporting remittances from abroad can help in achieving financial stability.

Furthermore, hike in tariff and providing financial education at grass root level is also necessary. In addition, providing online earning platform and attracting FDI can revert the financial crisis in the country. In a nutshell, Economic crisis is one of the biggest challenges faced by almost all the nations globally. The conflict among nations and the ~~presence of~~ debt trap are the biggest causes of economic crisis. However, by formulating and implementing ~~proper~~ integrated and reduction policies this issue can be ~~overcome~~ resolved easily.

Economic crisis basically refers to the instability in the financial domain of the country. It is characterized with less revenue generation, declining foreign exchange reserves, increasing trade deficit and rising inflation. However, this phenomena requires integrated

policy formulation, revamping of economic framework, integrated reforms and a proper monitoring system in the financial department, in order to overcome the problem of economic instability. Undoubtedly, shortcuts cannot help in solving the monetary problems of a country. It, basically, requires intellectual minds and dedicated professionals who can act as financial advisors and assist in problem solving. Otherwise, the nation will collapse financially. For example, there had been a decline in global output of 3.5% ^{during} Covid 19, as per IMF. However, the after shocks of that economic crisis are still evident. Therefore, a systematic approach is needed to solve fiscal imbalances.

To begin with, the main cause of financial disequilibrium ^{around the world} globally is the conflict between the two global powers. Russia and the West are at logger heads that

has disrupted the supply chain globally. In fact, the two biggest wheat producers, Russia and Ukraine, are at war. Consequently, the implications of this crisis is witnessed globally. The hike in prices of food is evident. This is because of the shortage of ^{production} ~~food~~ and rising demand all over the world. For example, Russia and Ukraine fulfilled 25% of the world's wheat demand in 2019. Therefore, military conflicts can trigger economic recession.

Not only wars but also hike in policy rates trigger economic crisis. The policy rates are raised to offset the implications of the financial ~~instability~~. However, this further worsens the situation. Basically, this phenomenon has a domino effect. If a country raises the which dominates the global monetary system prefers monetary tightening, then this step will potentially have far

reaching effects ^{all and} on the globe. For example, US raised its interest rates to the highest level in 15 years. The federal open market raised the rate from 4.25% to 4.5%. Therefore, increase in policy rates of the US negatively affects the economic conditions globally.

Similarly, debt trap leads to economic crisis in the long run. In fact, it is a tool used by ^{the} elites to maintain their dominance on the financial domain. The economically weak countries are helped by global monetary bodies supported by economic giants in times of need. However, the nations have to ensure the list of reforms and policies provided by the creditor. Consequently, the nation is unable to implement its ~~own~~ policies directed at stabilizing the country. Therefore, in the long run the nation is trapped in debt. For example, the global debt currently amounts

to \$235t. It is about 24.7% of global GDP. Hence, debt trap leads to fiscal imbalance.

Furthermore, Disaster is also one of the causes of economic crisis in the world. Undoubtedly it disrupts the smooth working of the financial institutions of a country. Also, it results in ^{huge} losses. Basically, disaster, especially climate induced ones, have far reaching economic implications. It destroys the industrial ^{zones} ~~infrastructure~~ and the agriculture sector of a country. ~~Moreover~~ Moreover, it disrupts the infrastructure including roads, bridges etc. For example, according to the post disaster need assessment report, Pakistan faced an overall economic loss of about \$30b. In conclusion, disaster can result in fiscal imbalance and can affect the economic sector in the long run.

However, there are many impacts of economic crises.

To begin with, ^{Firstly} economic disaster triggers political instability in a nation. It basically leads to a trust deficit between the masses and the policymakers. Consequently, the negligence of the government coupled with the opinion of the masses leads to disequilibrium in the political domain. In fact, the legislative branch lacks the required capability to formulate effective policies for ~~the~~ uplifting the economy. As a result, the financial situation of the country becomes worse. Similarly, the government is unable to monitor and ^{keep} a check on the financial policies. Resultantly, the political sector becomes unstable, as evident in Pakistan. Hence, economic crisis gives rise to political instability.

Not only political instability but also there is rise in ~~the~~

inflation. The economic mismanagement leads to hike in price all over the country. Undoubtedly, when a nation is constrained economically, the rates of the commodities automatically skyrocket. This is because of the disruption of supply chains. For example, according to the world bank the inflation in Pakistan might touch 23% on average in 2023. This is due to the economic crisis triggered by the disaster of 2022. Therefore, inflation is one of the biggest impacts of economic recession.

Furthermore, the economic crisis also triggers hike in poverty rate all over the country. In fact, the phenomena of fiscal imbalance deprives the government sector to provide required job quota to the masses. As a result there is rise in unemployment. The buying power of the citizens

is reduced. Also, the living standards of the masses decline. This phenomenon ^{leads to} ~~triggers~~ poverty in the regions. For example, according to the world bank, Pakistan's poverty rate will rise up to 25-24% in 2023 because of floods of 2022. Therefore, ~~poor~~ masses become poor due to economic crisis in a country.

Similarly, malnutrition is also one of the biggest causes of economic crisis. In fact, the citizens are unable to purchase the required amount of food required for the proper nourishment of their body. This is because of the rising food prices and declining income. As a result, the children face the problem of stunted growth. Their bodies do not develop fully because of the lack of required nutrition. This is a very serious implication of economic crisis because it ^{potentially} can affect the productivity and

health of a child. For example, 149 million children are malnourished, under 5 years of age, globally. Therefore, malnutrition has far reaching effects on humans.

However, certain steps can be taken in order to avert the problem of financial crisis.

First of all, subsidizing export oriented sector in order to boost foreign reserves is the need of time. Export can, basically, attract dollars and can potentially lead to economic prosperity of a nation. So, the government needs to device specific policies directed towards supporting the export sector. This initiative will potentially attract investors from within the country to invest their capitals in the industry rather than channeling it towards non productive assets. As a result, the output of the industry will improve. This will eventually

narrow the trade deficit. In a nutshell, exports can help in reversing an economic recession.

Furthermore, expanding the tax net in order to boost the revenue collected by the government can help tackle economic recession. In fact, the tax evaders should be targeted and should be streamlined into the legal and authorized financial system of the country. This initiative will increase the amount of direct taxes collected by the concerned authorities. As a result, the government will have enough resources to run the country properly. Moreover, the debt can also be serviced accordingly. For example, Pakistan's informal economy is more than 35% of the GDP. Therefore, by including this into the tax structure can lead to prosperity and financial uplift of the country.

Moreover, the government should support the remittances sent by the Pakistanis living abroad. The concerned authorities must devise effective policies directed towards increasing the trust of the overseas Pakistanis, so that they adopt legal financial mechanisms to channel funds to their loved ones living in the country. This initiative will boost the commercial banks' dollar reserves, which is a sign of economic stability. However, the overseas prefer un-official mechanisms such as ^{hundi} hundi system to transfer funds. Therefore, the government needs to encourage masses to funnel remittances using monetary channels in order to support the country and the nation at the same time.

Not only supporting remittances but also raising the tariffs is the need of the hour.

In order to overcome an economic recession the authorities must impose financial emergency in the country. The objective must be to generate enough resource to overcome the monetary obligations by increasing the rate of tariffs. In fact, the electricity, gas and water bills must include additional taxes that must be paid by the masses. However, the big industries and elites must be targeted in this policy. The poor and vulnerable using less electricity must be provided relief. Therefore, this will potentially increase the government resources and help in the problem of balance of payment.

Moreover, providing financial education on grass root level can help in understanding the financial economic problems by the youth. The mind of the young ones must be prepared to act accordingly in order to avoid

financial instability in the long run. In fact, a business oriented mindset must be inculcated in the youth during education. This will eventually mould ^{future} entrepreneurs and industrialists. Consequently, the country will prosper in the future because they will enhance the industrial and agricultural sectors, and will potentially increase trade. This phenomena will channel dollars from abroad. Therefore, economic education can help in solving the problem of economic instability.

Not only providing financial knowledge but also promoting of online learning platform is the need of time. Their application are required for online learning are free and easily available. In fact, they are user friendly and have a simple interface.

The websites and online platforms can help people earn a decent

living by working from home. Therefore, the authorities need to create awareness among the masses regarding these applications. As a result, huge cash flows in form of profits will be channeled towards Pakistan. Hence, this initiative can help boost the reserves and can potentially generate billions of rupees in revenue, which can solve the problem of economic recession.

Lastly, the authorities need to work on providing a proper integrated business environment in order to attract Foreign Direct Investments (FDI). The state should work on maintaining the trust of the investors, so that he feels safe while investing his capital in the country. Moreover, the law and order situation must be maintained to provide a risk free zone to the foreign business men. This initiative can be a positive step

towards the economic situation because the investment projects upon completion will generate profits and later. Therefore, the resources can be channelled by the authorities towards public sector development and other projects. In a nutshell, FDI can lead to increase in revenue of the government, which can reverse economic recession.

In conclusion, one can say that economic recession is one of the biggest problems faced by authorities world wide. This is basically triggered by the use of hard power by the super powers against others. Moreover, pandemics and calamities also contribute towards economic imbalances. Furthermore, this initiative has increase effect on the social, political, financial and the technical domain. However, certain steps can be take

in order to reverse this phenomena.
This includes the ^{incorporation of} financial learning
in the education system at the
grass root level. Similarly, expanding
~~the~~ and revamping the tax sector
can lead to increase in revenue
generation. Also, creating awareness
among masses regarding making
profits through ~~cyber~~ internet can
help in dealing with the financial
crisis. In conclusion, financial instability
is a normal phenomena that should
be dealt with ⁱⁿ a systematic
way to ~~achieve~~ the desired output.