

Pakistan weak economy: Causes, consequences and solutions.

1. Introduction

Thesis Statement: Pakistan's current economic situation is fragile due to number of technical as well as management related issues. Diverse steps are required to put this economy on the path of prosperity.

2. Current economic situation of Pakistan.

3. Reasons behind prevalent economic situation.

- a. Bumpy Political culture.
- b. Flawed Taxation system
- c. State owned enterprises as parasites
- d. low output of agricultural and industrial sector.

4. Consequences of weak economy

- a. Reduction in purchasing power
- b. Weak economy as vicious cycle destroying all sectors related to economy
- c. Reduction in credibility and strength of state.

5. Suggestions to resolve problem of weak economy

- a. Enhance taxation system
- b. Bring advancement in agriculture and industrial sector.
- c. Unload the burden of financial parasites
- d. Provide skill based education to youth

6. Conclusion.

The state which was once ambitious to become Asian tiger is now struggling because of its weak economy. Pakistan's economic situation is so bad that it has repeatedly been admitted by senior officials at national and international levels. The major reasons behind this failing structure include flawed taxation system, inefficient management, primitive industrial and agricultural practices and number of other reasons.

Middle and poor class are biggest losers of this system. While Pakistan has also lost international reputation because of this poor economy. Diverse steps including advancement in technology and improvement in management are required to support this weakened economy. In a nutshell,

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In prevailing grave situation of economy, for which flaws in different sectors are responsible, adequate and diverse steps are required to rebuild this house of cards.

The prevailing economic situation of Pakistan is deplorable. Rating agencies including Moody's have negatively rated Pakistan's economic situation. IMF says that Pakistan will grow by only 0.5 percent in the year 2023. The threat of default is still with Pakistan among top five countries in the list (Moody's). The above given facts depict grave image of Pakistan's economy.

The biggest reason behind this weak economic system is unstable political system of Pakistan.

In journey of more than seven

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decades, number of experiments have been done with this system.

These experimentations include capitalistic models of Ayub, Nawaz and others. While Bhutto's socialist and Zia's Islamist model are also part of it. The trajectory of economic path is haphazard due to different political ideologies.

Although, systems and models kept on changing but taxation system remained insignificant during whole the era. Former Finance minister Dr. Miftah Ismail wrote Pakistan as 'one percent republic' in one of his article. He was dem towards a fact that only one percent Pakistanis pay indirect taxes, while rest is collected through direct taxes on all citizens which act as burden upon lower classes (1bn

(Kaldin, Muggaelimah).

The biggest source of income:
Taxes; greatly flawed and under
inefficient system. Similar is the
case of state owned enterprises

The major state owned enterprises
include railway, Pakistan ^{International} Airline,
steel mills; All of them are in
huge loss. Economist Atif Mian describes
them as burden upon already
crumbling economy of Pakistan. Their
situation is nothing else but to
add fuel to fire in this case.

Furthermore, Pakistan's
labour output is also quite low.

The use of advanced technology in
industrial and agriculture sector is
non-existent. Pakistan's agriculture
incorporates 44% of labour but
contributes only 21% to economy.

Economist Akber Zaidi describes
inefficient governance, bureaucratic

real tapism, lack of incentives as factors responsible for lagging in industrial and agricultural sector.

All these defects lead to poor economic situation. Poor economy comes with severe consequences impacting all sections of society and all sectors of life, but the biggest losers of this crisis are middle and lower middle class. Today, inflation, in Pakistan, is above 30 percent which greatly reduces the purchasing power of ordinary people. It plays critical role in reducing the living standards; ~~afurther~~ reducing access to education, health and other necessities of life.

As purchasing power gets reduced, so the market and industry also faces recession leading to unemployment, reduction in manufacturing and investment.

As a result, it impacts all sectors simultaneously. What comes out is that it is a vicious cycle in which if one ^{link} chain is disturbed, whole the chain will be affected.

Poor economic situation doesn't have its impacts limited to economy and common people, but state's power also gets disturbed badly, at home and abroad. As Miftah Ismail while discussing Pakistan's external debt problem said, "we have really tested the patience of world." Moreover, in bad economic situation, options to equip military and other security forces with advanced technology also get reduced. Hence, it badly impacts functioning and role of all government institutes and departments.

The solution of this grave situation requires multifaceted

approach to get the country out of crisis. The immediate step that can be taken in this regard is to reform taxation. Tax is primary source of income for any state. Taxation system if properly reformed can resolve the economic problem of Pakistan (Akbar S. Zaidi, Issues in economy of Pakistan).

Along with improvement in taxation system, advancement in industry and agriculture is often necessary. With the influx of technology, output can be increased manifold.

The model of Japan, South Korea and Israel can be taken in this regard. These states have brought massive enhancement in their economies by investing in research and development.

The provision of incentives and state support to advancement can be crucial in this context.

Although advancement in technology is fundamental but the importance of efficient governance cannot be ignored. The primary step involved in efficient governance is either to correct the state enterprises or the removal of them along with other financial parasites. It can prove crucial in reducing burden from economy and focusing on productive areas.

Another area which can prove to be gamechanger is education. Through provision of skills, not only local market can be enhanced but remittances can also be increased manifold. Dr. Pervaiz Hoodbuoy opines that if unskilled and partially skilled labour can contribute \$30 million then skilled labour can even double the amount. Hence, Skill based education system can

also help greatly in resolving this problem.

In conclusion, it is no hidden fact that Pakistan's economic situation puts an existential threat to country. It leads to dissatisfaction among public and weakening of state power. Although the situation appears grim, but adequate measures can help to resolve the problem. The enhancement in taxation and advancement in technology are fundamental steps that are required.

The situation demands action. By working with hands in gloves, the time can be brought when this country would be an emblem of prosperity.