

Q. No. 4. How has Pakistan's energy crisis directly impacted its economy, and what specific measures can be recommended to address this critical issue in order to foster economic stability and growth?

Q. No. 5. Political instability and economic sustainability cannot coexist. Discuss.

Q. No. 6. Discuss the promises and objectives of the 18th Amendment in Pakistan, focusing on the

Question

Political instability and economic sustainability cannot coexist?
Discuss -

Ans: Introduction

Political instability and economic sustainability are closely interconnected in a complex relation.

While they can co-exist under certain conditions, there are also scenarios

where one can undermine the other. ^{political stability and economic growth}
These both work in tandem

with each other. Developing countries face significant instability in political systems and extremely poor law and order situation.

As, developing countries have low national income and low per capita GDP, their probability of falling prey to political crises increases. So it is fact that meager economy leads to political chaos.

How these are interconnected?

Instability in political system is common in all countries throughout world. Post A shift in government also enhances the chances of other changes in future. Economic crises, for example, often develops as result of prolonged political turmoil.

In a panel data from 98 nations, Barro (1991) examines the relationship between political unrest and economic expansion. The findings of investigation show that political instability has a major detrimental impact on countries' economic growth.

Impact of political chaos on economic growth:

political chaos can impede growth through repression and unfavourable change. This can lead to social, ethnic, or even national collapse. Additionally, it can lead to more significant

Foreign influence, - obstacles result on the political front can be significant impediment to all the elements of economic cooperation, including commerce, investments, supply chains and logistics of cooperation.

1) Impact on Business Investments

political unrest can temporarily lower investor confidence and discourage foreign investment, which might impede economic growth. - Businesses could be reluctant to make investments in a nation with unrest in political system and consumers might be less eager to spend money, which would result in econ. decline in a economic growth. In addition, tax collections may suffer and public spending may be curtailed during political crises - results in loss of money.

According to Haan and Siermann (1996), political instability hampered the investment in Asia and North America. Aiser and Veiga also argued that political instability leads to low GDP growth.

2) Impact on export market.

Political instability leads to hartals and strikes which further affects economic growth. A good example of this is strikes in South Asian subcontinent, especially in India, Pakistan and Bangladesh. In Bangladesh, major export market of ready made garments bore the burden with daily losses totalling TK 600 crore, according to one earlier study. Bangladesh's economy suffered from hartals to a sufficient degree, especially during the periods of extremely protracted hartals associated with political upheavals. According to estimates, the average

cost of hospitals to the economy ;
from 1972 to 2014 was between the
3% and 4% of GDP.

3) Food shortage and increase in inflation

Syrian civil war started in 2011 and it is still continuing. The political crises was the underlying factor that led to the war, which in turn contributed to the other disruptions like shortage of food and skyrocketing prices, drought and humanitarian crises that led to the economic crises.

Syria's economy has fallen to its lowest point since the country's civil conflict began.

4) ^{Poor governance} Economic turmoil impact on economy.

Sri Lanka is experiencing the greatest economic crises since its independence from Britain in 1948. This crisis is the result

of number of circumstances, including the de-sarvivist activities, the covid-19 pandemic, the printing of money by central Bank and economic mismanagement and rampant corruption on part of Rajapaksha family. The terrible state of economy provoked outrage, both spontaneous and orchestrated, from individuals from political parties as well as non-partisan entities.

Mahinda Rajapaksha stepped down as prime minister in midst of riots.

In May 2022 - Gotabaya Rajapaksha, president, had to resign from post as well.

5) Political instability impact on Pakistan

In Pakistan, the tenures of regimes from 1999 to 2022, it is obvious that due to political disparity the country's economic growth remained low, corruption increased, and

low production were witnessed.

The country's economic growth was

at 4.2%, ^{but} at end of 2008 with

end of military regime it stood at

1.7%. This decrease in economic

development was caused by political

tensions, as Political stability index

shows that it was -2.4% in

2008 as compared to -1.1% in 2000.

Conclusion

political instability
badly impacts the economic activities

in country and results in slow

economic development. ^{As} Political

stability is the backbone of country

to ~~run~~ ^{governance} system

smoothly. it plays ^{an} ~~important~~ ^{important} role to sustain progress of country.

A firm political system strengthens

efficient policy mechanism, institutional

effectiveness and regular political

exchange.