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Essay

How does role of law impact economic growth?


Outline

a Introduction


The strength of a nation is judged by the strength of its economy.

Franklin D. Roosevelt


b Rule of law increases economic growth which consequentially adds to power

i  United States of America as an example

c Rule of law ensures political stability essential for economic growth

i  Political stability is intrinsically connected with economic growth

d Rule of law puts an end to unethical practices

i  Unethical practices undermines economic prosperity and overall growth

e Rule of law promotes conducive business environment

f Rule of law ensures international recognition

i Attracts foreign investors and international countries for investment

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g Rule of law ensures economic opportunities

i Domestic investors can participate in economic growth of a country

h Rule of law keeps checks on institution

i Institutions develop economic policies therefore checks on them is essential.

i Rule of law enhances collective endeavors towards nation economic growth

j Rule of law promotes equality

i Everyone can run a business

ii No market oligopoly

Strength of a nation is judged by the strength of its economy

Franklin D. Roosevelt

No nation in the world has ever attained international recognition in terms of its strength of economy, be it USA, Europe, United Kingdom, emergent China etc as an economic giant. But one is struck with a question whether it is solely economy that ensures international recognition or role of law too. To answer this

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query, it is surely known that economic strength is not achievable without the appropriate role of law in a country. Role of law is an epicentre for a country to achieve her multifacet growth. Speaking of economy, rule of law plays a very critical role in a country's economic prosperity and growth overall. Owing to role of law as significant element in the society is largely due to fact that man by nature is wild and disorient. Ever since, state-nation concept has come into existence, societies have held role of as an essential mechanical driving force towards progress and to domesticate man as well oriented and progressive. Since history, developed countries have been notable practicing role of law as the central secret of attaining economic growth in international community. Speaking of Pakistan, unfortunately, the country is significantly facing the ordeal of paucity of law which has a direct impact on the country's overall economic growth leading massive inflation and health inaccessibility for a

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common man. Therefore role of law is inherently connected with the progress of economy which is reflected in this essay

To begin with, role of law increases economic growth which consequentially adds to a country overall power in the international community. This statement hold true position regarding to all developed nations in the international community. United States of America which is considered as one of the most powerful country in the world is due to its economic growth. This is largely due to role of law in the constitution which is thoroughly implemented in the institutions. The article II of United States speaks loudly of the supremacy of law. US has maintained the supremacy of law effectively in its institution. It is a fact that a country institutions, if efficient, results in its economic growth. It is because institutions are the primary mechanical driver of a country

Prior to world war II, America was substantially facing economic growth. People conditions

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were very worse and critical. A lot of health issues surfaced due to economic crisis - social security was heavily compromised and the country overall status was detrimental. Economy was completely ramshackled but owing to the institutions - exercising role of law, helped America free from economic debacle and pushed it toward progress and success. The institutions were so effective that even, in world war II, America rised victorious with economic growth whereas on the contrary, other countries, despite victorious, had economic loss.

Another standing example of America owing to rule of law is the Bretton Woods institutions. America, today, is known for its giant economy which worths of 29 trillion dollars along with the largest annual GDP. Being a greatest economy in the world and owing to rule of law, America is the greatest donnor of Bretton Woods institutions which are International Monetary Fund and World Bank. Developing nations when seek financial assistance from IMF, will have to prior seek the consent of America, if America

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approves, the fund will be granted otherwise not. And justify this claim, Pakistan has several times requested America for the funds approval. This reflects that a country with strong economy can exercise absolute power in the international community and such is the reason that America, today, is considered super power. today it is largely due to the fact that America exercises rule of law in its institution which has bolstered its economy.

In addition, rule of law promotes political stability which is intrinsically linked with the economic growth. It is the law that reminds politician of his duties and responsibilities. Without law, no nation can grow economically. Role of law maintains stability which promotes a competitive culture that eventually enhances economic opportunities for the people. All developed nations strictly focus on adhering to certain principles of law that promote political stability or political order in a society; having a political stability in a society

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means a collective opportunities and collective endeavours towards economic growth of a society while on the contrary, having no political order means economic crisis and resulting in a blame game that deteriorates society progress along with its economic growth. To put this in perspective, Pakistan is one of the prime example where politics have resulted in political polarization which produced a culture of blame game. This blame game culture has resulted in political instability which consequentially has impacted the economic growth of the country. Owing to political instability, Pakistan has been effusively inundated in external debt and the country finds it hard to maintain its status quo. Many National Fail largely speaks of rule of law as an essential element for the progress of economy which is tied with political stability and order.

Another major impact of rule of law in the economic growth is putting an end to unethical practices. This means that countries maintaining supremacy of law ensure transparency and

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and accountability which are the two critical factors for economic growth. Most developing countries are suffering from the malpractices, such as corruption, money laundering, smuggling, trafficking etc. These practices, if microscopically evaluated, erode the foundation economic growth. Lack of law and its maintenance in the institution of a country disrupts the economic growth of a country. Developing countries are massively suffering from corruption issues which are the end result of lack of law. They cannot enhance their economy largely due to malpractices and unethical means. Therefore supremacy of law ensures transparency and accountability and countries having transparency and accountability deal with unethical practices with an iron hand.