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Brainstorm

Rule of Law.

Negative

- low investor confidence
- sanctions e.g Iran
- investment in non-productive assets e.g real estate
- discourages innovation
- low tax collection
- reliance on kinship bonds (discourages collaboration)
- breeds an ~~unrecorded~~ informal economy

Positive

- attracts investment
- encourages innovation
- fosters trade
- attracts skilled labour.
- promotes collaboration & sharing of ideas

Rule of Law and the Economy

Outline

1. Introduction

Thesis statement: Rule of law is ~~the~~ one of the strongest drivers of economic growth ~~through~~ because it encourages investment, innovation, collaboration while discouraging unfavourable aspects such as tax evasion, cartelisation, and unproductive investments ~~such as real estate~~

2. Poor Rule of Law and the Economy

a) Discourages investment

Example: low FDI in Pakistan.

b) High security spending crowds out other public investment

Example: lion's share of GDP goes to the army.

c) ~~Preference for invest~~ Less risk taking

Phrase it properly

Example: Preference for real asset

investments e.g. real estate

d) Drives away trade partners

Example: Sialkot losing FIFA football manufacturing due to child labour.

e) Encourages tax evasion and money laundering

f) Discourages innovation

Example: Poor copyright laws and patent laws

g) Encourages cartelisation and monopolies

h) Discourages collaboration

Example: weak rule of law corresponds with reliance on kinship bonds

i) Leads to sanctions or import bans

Example: Iran.

3. Stronger Rule of Law and the Economy

a) Encourages investment

Example: IT and tech investment in South Korea, Taiwan and Singapore.

b) Promotes innovation

Example: Strong patent and copyright

laws in the USA and Europe

c) Attracts skilled labour ✓

Example: High immigration to the US

d) Fosters trade ✓

Example: Trade in Singapore
versus Cambodia and
Laos

e) Promotes legal money channels ✓

f) Promotes collaboration ✓

g) Security budget saved for other
productive expenditure ✓

In order to improve economy

4. Methods to Strengthen Rule of Law

a) Increase individuals in financial
networks ✓

Example: efforts to raise bank
registration by Reserve
Bank of India.

b) Encourage bank transactions over
cash ✓

c) Penalties for obscuring information ✓

Example: FBR blocks non-filers
SIM cards

d) Tackle the poverty to crime pipeline ✓

- free vocational schools ✓

- Literacy centres in Punjab ✓

5. Conclusion

5) Concl

Essay

Rule of Law and Economic Growth

In 2023, Pakistan ranked 130 out of 142 in the rule of law index. ~~It is a~~

This abysmal law and order situation has had a significant negative impact on the economy. The strength of the rule of law promotes investment, innovation and collaboration while discouraging unfavourable aspects such as tax evasion, cartelisation and unproductive investments.

In Pakistan, the positives are rarely seen and waning every year. The negatives, however, are reaching endemic proportions. Until the ~~the~~ might of the law is restored, the economy will continue courting the abyss.

The most obvious con of weak law and order is ~~the~~ waning investment. Both domestic and foreign investors shy away from investing in regions where

safety of their investments, ^{and} workers, and their own lives, is questionable. Pakistan is currently reaping the seeds of several attacks on Chinese workers through the lacking Chinese interest in the SIFC.

For years now, FDI struggles to reach its potential as the law and order situation deteriorates.

The other caveat is the high security spending needed to compensate for poor rule of law. In Pakistan, the military budget is the largest component after debt repayments and justifiably so.

The nation deals with sophisticated anti-state actors, terrorists, to petty street crime. This high expenditure leaves little for other public investments such as health, education, and infrastructure which would improve the economic health of the nation. Until the security situation deteriorates, security spending will continue to crowd out other investment.

Furthermore, individuals deviate towards

safer investments to ~~make~~ hedge against the uncertainty bred by poor rule of law. These investments show case ~~tes~~ risk-averse behaviour which leaves investors missing out on newer and innovative choices. Moreover, real estates investment has been booming in Pakistan, diverting funds away from needed sectors to unproductive assets. The penchant for risk-aversion due to poor law and order promotes unproductive investments.

← →

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