

In Order to Bring Political Stability in Pakistan, Economic Stability is required.

## Outline.

### 1 - Introduction.

a. Hook

b. General Statement

c. Thesis Statement: For Pakistan, a stable economic landscape is necessary for political stability as a better economic situation can foster credibility in government practices and public trust, can help in better resource allocation for social welfare programs, can reduce corruption and Nepotism, in government process and can help in improvement of law and order situation in the country.

### 2 - Understanding the Relationship between political and economic Stability;

a. Economic Stability fosters good governance which ultimately leads to long term economic sustainability;

b. How economic downturn can lead to political unrest in the country.

c. Case Study; Economic downturn in Sri Lanka.

### 3- Current Economic Challenges in Pakistan. and their impacts

#### 3.1- High Inflation Rate

- a- Trade Economics Report
- b- Increase in purchasing prices lead to poor standards of living.
- c- Increase in crime rates.

#### 3.2- High Unemployment rate

- a- IMF Economic Outlook 2024
- b- How Unemployment leads to societal deterioration?

#### 3.3- Increased Foreign Aid Burden

- a- Debt to GDP Ratio and its impacts
- b- IMF bailout packages and its impacts in the longterm.
- c- Exploitation of Social Fabric.

#### 3.4- Trade Defecit and Import Based Economy

- a- Trade Defecit leads to current account defecit.
- b- Balance of payment crisis
- c- Inflation and its impacts.

#### 3.5- Poverty Rates and Per-capita income

- a- ~~RIE~~ Pakistan Institute of Developmental Economic's Report.

## 4- How Economic Stability helps in building Political Stability?

### 4.1- Increase Government Credibility and Public Trust.

a- Trust in Leadership

b- Reduction in protests and disapprovals

c- Confidence to work in more impactful way.

### 4.2- Resource Allocation for Social Welfare Programs

a- Consistent funding for developments

b- Reduction in poverty and Inflation.

c- Consistency in economic policies leads to better growth.

### 4.3- Reduction in Corruption and Nepotism.

a- Transparent Economic Policies.

b- Merit based hirings because only illegible people can foster more stability.

### 4.4- Improvement in law and Order Situation.

a- Increase in Employment rate.

b- Increase in Literacy Rates.

## 5- Role of Government and Institutions in Achieving Economic Stability.

## 6- Conclusion.

# Essay

The founder of Pakistan, Quaid-e-Azam Muhammad Ali Jinnah, emphasizing on the importance of growth-led economy stated that:

"A country without a strong economy is at the mercy of International Financial Institutions.

Pakistan must build up its economy which is growth-led, self-sustaining and robust, so that its national security is not at risk and people do not have to worry about the livelihood and future of their children."

In today's world of Globalization, only the countries with strong and stable economies are considered strong, as it is a general premise that only such countries can better maintain its state institutions. A country with better economic growth can better fulfil the needs of people, and can better maintain a robust political institution to manage the demands of people. In the opposite, a country with poor economic growth cannot have a strong hold over its political institutions. For Pakistan, a stable economic landscape is necessary for political stability as a better economic situation can foster stability and credibility.

in government practices and can build public trust, can help in better resource allocation for social welfare Programs, can reduce corruption and Nepotism, in government procedures, and can help in improvement of law and order situation in the country.

Economic and Political stability are closely interlinked. They have a mutual relationship as both impact <sup>each</sup> other in one way or other. Firstly, a better economic stability can foster good governance. A stable economic environment encourages government to implement their policies without intervention and disturbance. Such policy measures when reach completion ultimately result in making the conditions better. Long-term initiatives in education, healthcare, and economic sectors can thrive in better growth and sustainable development, and ultimately into good governance. Similarly, if the economic conditions in a country are not good, government can never implement its policies even if they are for public good. As a deteriorated economy will result in poor standards of living, making people dissatisfied with their ways of living. In such an environment, public always

criticize government for its policies. Most of the times such dissatisfaction can lead to social unrest, which ultimately lead to throwing the government out. For example, the <sup>economic</sup> political unrest in Sri Lanka, recently, lead to political unrest, with people attacking the President House. So, economic conditions of a country are closely tied to what kind of political landscape the country will have.

It is quiet ironic for Pakistan that economic stability can lead to political stability, as Pakistan never had one. For a country like Pakistan, where families are forced to make unimaginable sacrifices just to survive, parents weigh the cost of basic groceries against school fees, deciding which child will have the for go on education this month, it is quiet understandable "why we never achieved political stability." Since its independence, Pakistan is struggling with political instability. The reason is solely because it is struggling with number of economic problems which never allowed governments to work to their full potential.

Firstly, inflation rates are very high in the country. During May 2023, Pakistan experienced its highest inflation rate of 37.97%, since independence. But, the problem is not momentary, Pakistan has been suffering from this problem of inflation for a very long time. According to Trading Economics, "Pakistan's average inflation rate is 8.45% from 1975 until 2024." With such an impactful scenario, it is quite understandable that people in Pakistan cannot be satisfied their living condition. An increase in inflation leads to increase in purchasing prices, which ultimately leads to poor standards of living. Consequently, they have limited access to health, education, and some of the basic necessities of life. Similarly, when people have to live in such suppressing condition, they turn to illegal ways to achieve those necessities, which leads to increase in crime rate. This leads to social disharmony, making it difficult to trust their governments.

Secondly, there is high Unemployment rates in Pakistan. Almost more than half of the population in Pakistan is youth,

But, the very high Unemployment rates make people think otherwise. According to IMF Economic Outlook 2024, "the Unemployment rate in Pakistan is expected to be at 8%." This cause feelings of dissatisfaction and despair in ~~young~~ people especially in young people as they consider it unjust. After years of struggle, when people struggle to get a job to make living, and end up having nothing, it ultimately cause dissatisfaction with State policies. They think it's unjust and then protest for their rights. Similarly, the increase in unemployment can make the economy more worse, as the valuable capital is lost which could create an impact. Therefore, unemployment is also keeping Pakistan from achieving political stability.

Thirdly, increased dependence on foreign aid also puts burden on the economy of Pakistan. The State Bank data shows that public debt is almost three quarters of the nation's economic output. Due to this problem, the large part of budget which should go for public development projects, is used for debt servicing. This lead to more and more people living below the



line of poverty. Similarly, the conditions of IMF bailout packages also make the life of poor worse. As it urged government to end subsidies, which leads to inflation, And, the government has to increase taxes as well. According to George W. Bush, "The financial crisis should not become an excuse to raise taxes, which would only undermine the economic growth required to regain strength." In the same way, these dependences on foreign aids can give short-term relief, but in the long-run, it is only the common people which pay. And, these problems ultimately lead them to grow dissatisfied their governments.

Another problem that leads to unstable economy is trade deficit and Import based economy. Pakistan's economy is purely import based, which leads to trade deficit. This trade deficit leads to current account deficit and balance of payment crisis. Currently, the current account deficit, which stood at 3.275 billion dollars in 2023, is 681 million dollars. This crisis in balance of payment, again, puts weight on the shoulder of people. These challenges cause

an increase in inflation rates. Similarly, to deal with such crisis, governments try to limit their expenditures and try to put more taxes, which stifles the growth of people. For example, a shopkeeper who can hardly earn money which fulfils his needs can never be happy with the government, when he is asked to pay almost a quarter of his income in tax.

Lastly, high rate of poverty and low per capita income is also a big hurdle in the way of economic growth. According to Pakistan Institute of Developmental Economics, the poverty rates are 70% in Balochistan, 48% in Khyber Pakhtunkhwa, 45% in Sindh, and 30% in Punjab. And, the poverty rate is expected to be 38.6% to 39.5% in next five years. 'How can a country grow which so much people living under the line of poverty? And "How can people be satisfied with their governments, when they have to live in such ~~stagnant~~ poor conditions?" Similarly, according to Economic Survey of Pakistan, average per capita income of a Pakistani is 1680 dollars. Compared to other

developing countries, this income is not even enough to fulfil the basic needs of life. This income when a person has to live in such an era of high prices can never help a person to fulfil the demands of his family. Therefore, poverty and low income also generates ~~felt~~ feelings of dissatisfaction in public.

Economic stability can impact the political stability in a number of way. Firstly, stable economic conditions helps in increasing the credibility of Government, as it increases public trust in their government institutions. It helps in building the trust of public in leadership. When a person, who earns the amount of money that perfectly fulfils his needs, and he is also endowed with enjoying the social developmental progress, he ultimately trust the leadership of the one who is running the country. In the same way, a better economic situations make government credible as there are few to no protests and disapprovals. For instance, the norwegian economy is one of the world's most stable economy, and it has not seen a lot of

protests against government, just because of this reason. When the public does not go for a lot of protests, it helps in making the government and its policies credible.

Lastly, this better economic outlook and the public trust encourage government to win more and more public support by making the things better for them. And, this ultimately contributes to the economic ~~sub~~ sustainability of the country. So, economic stability is a must have, because only the credible governments can run the country for a long time.

Secondly, a better economic growth can help in better resource allocation for social welfare programs. Only a country with good growth rate can provide necessary resources for developmental works. If the economic of the country is good, the government can freely use available resources to make the public lives better. Similarly, these social welfare programs can alleviate poverty by creating jobs, better access to basic services, and by alleviating inflation. According to National institute of health, "Countries where the level of poverty is large tend also to exhibit low values of human development."

Lastly, ~~th~~ due to the large number of social welfare programs, Government can win the trust of the people. And thus, can have consistency in their policies which ultimately lead to more sustainable growth. Therefore, the use of social welfare programs, due to good economic condition, can make government to stay for long time.

Thirdly, a stronger economy can be a powerful force in reducing corruption and nepotism. When the economy is robust, employment opportunities are plentiful, and people rely less on their personal connections to secure jobs, then the system can be free of nepotism. Similarly, in a growing economy, employees seek the most qualified individuals to maintain competitiveness, leading to fairer hiring practices. Economic growth is often accompanied by the rise of private sector standards, including ethics and anti-corruption policies. Companies with strong ethical standards discourage nepotism and reward merit, creating a culture that is less conducive to corrupt practices. So, a strong economy indirectly combats corruption and nepotism by creating opportunities, strengthening institutions,

and promoting transparency.

Lastly, a stable economic situation also helps in strengthening law and order situation in the country. With positive economic indicators, like low inflation rate, ~~to~~ reduction in poverty rate, and higher employment rate, the country is a safe space where every young or adult is getting their desired income to fulfil their necessities of life, then there are very less chances that they will get engaged in any illegal activity.

Similarly, economic prosperity provides better educational opportunities, keeping young people engaged and preparing them for stable careers. Youth who are employed and educated are less likely to get involved in crime. Therefore, good economic conditions improve law and order by reducing crime, strengthening law enforcement and the judiciary etc.