

Political Instability Leads To Economic Instability.

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outline

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- (2) Correlation between politics and economy
- (3) How political instability becomes the cause of economic instability.
 - a) Decision making shapes the economy.
 - b) Ease of doing business confronts difficulties.
 - c) It creates mistrust among entrepreneurs.
 - d) Political instability causes unfavourable events.
 - e) It has deep affects on the international trade.

This was topic

how political instability leads to economic instability?

- (4) Implications of political uncertainty over the economy of Pakistan.

This was not asked

- a) Prevailing history recorded inflation.
- b) Massive balance of payment crisis.
- c) Vicious foreign circular debt.
- d) Low dollar influx and high outflux.
- e) Unemployment and shut of local industries and business.
- f) Devaluation of rupee.

- (5) Way forward to bring political stability which stabilize the economy of Pakistan:

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- a) Free and fair democratic elections.
- b) Political governments needs to complete tenure.
- c) National interest must be first priority.
- d) Maintenance of cordial relations with neighbours and international community.

- (6) Conclusion

Politics and economy are the two different subjects which are strongly interconnected. Every nation wants to choose the leader who uplift the economy first of all. It is not possible to separate the politics from economy. It is also true that the political instability leads towards the economic uncertainty. Political leaders shapes the economy and provides favourable environment for the easy business doing. Political instability ^{causes} distrust among entrepreneurs and unfavourable events across the country. It affects deeply the international trade. Moreover, the prevailing and persistent political turmoil has far reaching implications in the economy of Pakistan such as high inflation, balance of payment crisis, circular debt, low dollar influx and high outflow, unemployment and industrial setback and last but not least the devaluation of rupee. Although, the pragmatic steps taken by the state can bring the political and economic stability in Pakistan like strong democracy, completion of government tenure, national interest as first priority, and cordial relations with neighbours and the international community.

It is necessary for Pakistan to bring political stability for the sake of stable

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and flourished economy. The practical steps are required and Pakistan has potential to surmount the situation.

Correlational between politics and economy. Economy is one of the most significant pillar of the politics. Political leaders are those who make wise and efficient decisions which not only uplift the economy but also lead in the global politics by the dint of strong and stable economy.

USA, China, Russia, Saudi Arabia, India and United Kingdom are the perfect example of that. These are the states which have leading economies and they have the significant role in the world affairs and politics. On the basis of stable political status, they are making new economic blocs like BRICS and India-Middle East Europe Economic Corridor and Belt Road Initiative (BRI). So, it is indispensable to

separate politics from economy. Pakistan, since its inception, has been facing political instability and lack of leadership which has affected the economy of Pakistan.

Almost all parliamentary governments had to leave governments without the completion of tenure and it also experienced 30 years of military rule.

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So, it is definite that economy is the basic ingredient in the politics.

Political instability becomes the cause of economic instability. Decision making of political leaders shape the economy. Decision making of the political leaders matters significantly for the economy of the state. Efficient and wise decisions are basis of the stable and strong economy. India, the immediate neighbour and historical rival of Pakistan has become the 5th largest economy of the world. It has massive industries due to their proper economic plan by the politicians and political stability since the partition of the Indian sub-continent in 1947.

Although, Pakistan also got freedom on the same day but because of lack of political leadership, it faced enormous hurdles and obstacles in the way of economic development.

So, the decision making of the politicians shape and build the economies.

The ease of doing business is also affected due to the political turmoil and instability. Economy of the state always depends upon the political stability. It is also true that economic developments requires the ease of

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doing business like infrastructure it includes roads (transport system), building and communication network. It also requires security including internal as well as external, provision of proper electricity, easy financial transactions and facilities of documentation and tax paying simple methods and many more. Unfortunately, in the case of Pakistan such ease of business is questionable. The reason behind the situation is political instability. Many ~~of~~ industries specially ~~textile~~ ~~industry~~ in Pakistan as well as sports goods industry has affected most due to the political turmoil in the country since 2022. In the case of foreign direct investment (FDI), Pakistan is facing foreign investors flight like Honda, and Suzuki motors. So, it is true that ease of doing business is directly proportional to the political stability.

Political uncertainty creates mistrust among the entrepreneurs in the state. It is obvious that political stability ensures entrepreneurship benefits. Before the vote of no confidence, in 2022, of former premier of Pakistan, there were talks about the foreign and

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local investment but unfortunately, it all went null due to the political instability in Pakistan. Hence, the entrepreneur trust is affected due to the persistent political turmoil.

Political instability causes unfavourable events across the state. The politics and economy are two interconnected subjects. In the case of Indonesia, in 2021's end, there was mass protests against the government due to severe economic crisis in the state. These protests caused many unfavourable events in Indonesia like shut down of markets, masses fired the residences of politicians and many more. So, the result was economic setback. It is right that politics is correlated to the economy.

It has deep impacts on the international trade. As international trade is one of the backbone of the economies. Although, it runs over the basis of good and cordial relationships and political stability. Such relations. Iran is the immediate neighbour of Pakistan and it has US sanctions. Its government does not follow the international laws.

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and the trade beyond the borders is difficult for Iran. In the case of Pakistan, there is persistent political stability, so there is lack of trust of the international community and the international trade of Pakistan is affecting badly. So, it can be said that political stability is crucial for the international trade.

Implications of political uncertainty over the economy of Pakistan. Prevailing history recorded inflation in Pakistan. Recently, Pakistan is experiencing the history recorded inflation 39.6%. In such conditions, the masses are facing extreme poverty, the middle class of the Pakistani society has hard to mouth. The staples are out of the budget for many families. This inflation accelerated more after the political turmoil in 2022 in Pakistan.

Pakistan is under the massive balance of payment crisis. Due to the political instability and uncertainty, Pakistan is facing massive balance of payment crisis. It means, Pakistan can not repay the loan payments even it is not able to pay interest of the loans. There is also current account deficit due to the low exports and high rate of imports. So, this situation

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is due to the political instability.

Vicious circular foreign debt is another ~~cause for~~ Pakistan due to its political uncertainty. Pakistan got its first loan by IMF in 1950s after that almost every new coming governments began to rely on the foreign loans. In the year 2018 the payment 32 trillion PKR and in the year 2023, it was 56 trillion PKR. It is apparent, the prevailing political situation is the cause of such bad situation in the country.

In Pakistan, there is low influx of dollar where as high outflux due to the political instability.

The dollar influx sources are the foreign direct investments, exports, and remittances. After the recent political instability it affected badly. During the years of 2019 to 2021, there was massive influx of dollar in the shape of remittances. But the lack of confidence, there is not only low remittances but also dollar outflux in the shape of imports and dollar smuggling. So, political instability in Pakistan is the cause of less dollar influx and high outflux.

Unemployment and shut of local businesses and industries are prevailing in Pakistan after 2002's vote of no confidence. Pakistan is one of the countries which is ~~confronting~~ many difficulties like unemployment due to the closure of local businesses and industries like textile and sports. It is mainly due to the political tensions. Socio-economic issues are threatening the peace and security of country at large. After the vote of no confidence, the situation has been worse. So, the political tensions are the reason of unemployment and shut of local industries in the Pakistan.

There is devaluation of rupee in Pakistan due to the political instability. The term devaluation of currency refers the low value of currency as compare to others' currencies. Pakistan is facing continuous devaluation of its currency as compare to dollar. The recent comparison of rupee against dollar is ~~270~~ 270 rupees is equal to 1 dollar. Resultantly, the cost of import has increased, current account deficit increases and it is also affiliated with inflation. So, the devaluation is also due to the political turmoil.

Structure of Pakistan
 → TOPIC: Devaluation of Rupee
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