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ESSAY TEST. 5

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6. The Political instability leads to economic instability.

1. Introduction.

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Thesis statement:

The political instability, marked by inconsistent economic policies, leads to economic instability. Establishing political stability creates an environment conducive for economic growth.

2. Nexus between political stability and economic growth. A brief overview.

3. Impacts of political instability on economic prosperity.

a. The prevalence of inconsistent economic policies, primarily due to political instability. (Sri Lanka's economic default)

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b. Lack of governance and social cohesion. (Economic turmoil in Syria)

c. Absence of rule of law. (Chile's crisis)

d. Disruption of economic activities due to political unrest. (Loss of investor confidence, rising inflation and unemployment)

e. Institutional Crisis and political instability. (Sri Lanka's economic default)

f. Distrust among International Financial Institutes for loan grant. (Conditional grant of loan by IMF to Pakistan; mainly political stability)

4. Case studies of political stability and economic prosperity.

a. Establishment of European Union after World War II for economic integration.

b. Revival of German economy post World War II.

c) Emergence of political and economic prosperity in South Korea.

5. Installing political stability to ensure economic prosperity: A way forward.

a- Implementing reforms to enhance political stability.

b- Economic diversification and infrastructure development.

c- Developing consistent and long term economic policies.

6. Conclusion.

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In the complex landscape of global affairs, the nexus between political and economic stability emerged as an undeniable reality. Considering a state on the brink of chaos, marked by political turmoil and instability. The engine of economy fails owing to the overwhelming dependency on political landscape. The stability and prosperity of a state is therefore determined by the level of stable government. The political uncertainty often results in shuffling of government cabinet. This shuffling installs a new bunch of politicians in the system. The persistent unrest results in the prevalence of inconsistent economic policies. This inconsistency leads to the discouragement of investments by the investor. Moreover the political

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Instability marks the disruption of economic activities thereby resulting in hyperinflation and unemployment. The political chaos results in loss of investor's confidence adding up to the economic instability. Moreover the unstable government often displays immense governance and ~~social~~ policy failures. Public service delivery is equal to none and disrupts social cohesion in a society. This unrest leads to unsecure environment marked by the prevalence of violent acts. Absence of the rule of law further aggravates the situation of political instability. The persistent economic political instability creates distrust among International Financial Institutes for loans. The Establishment of the European Union post World War indicates that political stability is

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a pre-requisite for economic integration and prosperity. The rise of Germany, after humiliating defeat in the World War, primarily happened due to political stability followed by economic prosperity. In this essay the nexus between political and economic stability will be established -

The political instability marked by inconsistent economic policies and social chaos leads to economic instability. Establishing political stability creates an environment conducive for economic growth.

The nexus between political and economic stability indicates symbiotic relationship between the two processes. The absence of any one of them leads to unprecedented chaos. As exhibited by the developed world, the establishment of political stability remains a

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a pre-requisite for economic prosperity. The prevalence of strong democratic government in the United States demonstrates the significance of political stability. The United States drives the global economy as it is driven by dollar exchange. The economic hegemony of US established following political stability in the state.

The political instability largely brings about the prevalent culture of inconsistent economic policies. The persuance of economic policies serves as a guiding light for a states economy. These policies determine the pattern of foreign investments, the way of dealing with the investors and the provision of business opportunities. Frequently changing governments often

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come up with different policies than their previous counterparts.

The change of government therefore signals the change of economic policies which hurts developing states like Sri Lanka and Pakistan.

Pakistan's economy survived default in 2023 and is often in danger. The most significant root cause of economic instability lies in the prevalence of inconsistent economic policies.

The governments presented with political turmoil often fail to deliver. The governance issues bring about negative developments in society. The political instability fails to develop cohesion within a society. Stability in a state ensure social cohesion and integration. It reduces the risk of conflict

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Occurance. The politically unstable states like Syria fail to develop social cohesion thereby resulting in violent activities. The persistent civil war in Syria led to the worst economic crisis, as warned by International Humanitarian Organizations.

The political turmoil often translates to the absence of the rule of law. Establishing rule of law in a state is pre-requisite for the development of a nation. Frequently changing governments and the rule of incompetent rulers results in economic crisis. Chile faced political unrest in 1970's and ultimately ended in economic downfall. The establishment of a stable government the uplifted the economic landscape of Chile.

The political instability builds up the uncontrolled inflation and unemployment. The loss of investor confidence due to chaos results in unemployment. The prices of commodities increase resulting in uncontrolled inflation. The political unrest ends up disrupting the economic activities of a nation. The political instability induced as a result of an uprising in the Arab Spring countries. This unrest influenced the economy badly and the involved countries were unable to avert economic collapse.

The unstable political culture weakens the founding institutes. The resultant institutional crisis wrecks havoc upon the economic future of the state. The significant institutes, like

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executive, judiciary, police and civil service demonstrate lack of harmony and coherence. This institutional crisis resulting from political instability pushes the struggling states into economic chaos. The economic default of Sri Lanka was primarily driven by institutional crisis and political instability.

Moreover, the inability of a state to install a stable political culture enhances distrust among International Financial Institutes. The developing world largely struggles with the disease of political instability. These struggling economies unfortunately depend on the International Financial Institutes for the provision of loans. The International Monetary

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Fund (IMF) provides loan to the developing world. The issuance of the loan to countries like Pakistan is often conditional. The establishment of political stability is one of the demands of IMF, as it ensures economic growth of a state.

World peace disrupted by the eruption of World War II. The economies of the stakeholders involved in the war were largely affected. But the establishment of political stability post World War led to the creation of European Union. This Union provided opportunity for economic integration and growth. This economic growth post war was largely possible due to prevalence of stable political culture.

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Furthermore, the emergence of Germany as a competitor for major economies shocked the world. The level of destruction and humiliation faced by Germany was massive. The Germans established a stable political environment and worked towards economic development. The political stability ensued the issuance of economic policies for larger benefit. Germany regained its lost position post war mainly due to the political and economic stability.

Similarly, South Korea also faced immense difficulties. This period was largely marked by the unstable governments. After a long while, South Korea managed to gain political stability. This achievement

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resulted in the economic growth of the state - South Korea emerged as a stable economy and a major player in the region all due to the economic prosperity.

Installing political stability remains the only solution for all states struggling economically. Provision and implementation of major political reforms to enhance stability are the only requirements. Strengthening the democratic institutes and prevalence of rule of law will ensure economic prosperity. The countries struggling economically need to revisit their founding principles and policies - Adopting democratic practises as envisioned by the developed world will pave way for economic growth and independence.

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Moreover the need for economic diversification is another pre-requisite for stability. Diversifying the economy of a state will result in independence from traditional resources. Inclusion of more business and trade opportunities, promoting tourism and entrepreneurship will heal the process of economic and political recovery and stability.

The development of infrastructure to attract more investments will ensure economic growth. Additionally the adoption of consistent and long term economic policies will assure economic growth and prosperity. Long term consistent economic policies bring about more investments and completion of long term projects. The long term policies ensure political and ultimately economic prosperity.

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It can be concluded from the statement of Kofi Annan ~~who stated~~ that the absence of political stability undermines economic growth and development. The political instability being the root cause of economic turmoil as it leads to disruption of economic activities. The lack of stability leads to the loss of investor confidence thereby leading to unemployment and hyperinflation. The establishment of Germany's economy after world war hints towards the dependence of economic stability on political stability. The issuance of consistent and long term economic policies will ensure the prevalence of economic prosperity in the world.

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