

Question No. 5

Pakistan is confronted ----- to address this.

Introduction

Pakistan since 1947, has been marred with an economic crisis or an energy crisis. Since independence from India back in '47, due to the lack of financial base and industries in the country, the country had to develop everything anew. This led to a serious shortfall of capital and later on shrank the fiscal breathing room. Today, it is the same but Pakistan faces multiple crisis. The fiscal deficits, the growing debt crisis and never-ending energy crisis are the biggest challenges to growth in the country. These all are the results of years and years of mismanagement. While there is no one-quick fix, the road to reform is difficult and passes through some hard patches.

Our consumption habits lack of productivity, political instability and shrinking tax base are some of the reasons ^{the country} ~~are~~ ~~at~~ ~~this~~ ~~junction~~. To change the course the country must enact reform that address all these issues.

CAUSES OF FISCAL CRISIS, ENERGY, ANDINFLATION AND DEBT CRISISa) Political Instability Leads to Lack of

Economic Growth

The biggest hurdle to economic growth is political instability. Economies are run on numbers and intuitions of the market and its situation. When political stability does not exist, no investor would like to invest in such a situation, as their ^{fear of} loss and its consequences is more than gains that they might make.

b) Unproductive Population Contributes to the Low Economic Base

Pakistan's population according to a study conducted by the World Bank was ranked among the most unproductive workforces in the world. The lack of skills and volatility in the economy compounded this to the current situation, the country faces today.

c) Unsustainable Subsidies Leads to Growing Circular Debt

Subsidies in Pakistan are a way to manage and preserve the vote bank of the government. The biggest concern of the government of the day is to preserve and enhance their electorate. When this stance takes over, unsustainable subsidies are cooked that eat away into the exchequer and result into debt.

d) Lack of Political Will to Undertake Reform

Every government that is elected comes for a limited time. Its main goals are election and gaining more political capital. However, reforms require political capital to be spent and are often considered too risky for politicians. This conundrum leads them to not implementing crucial reforms that may help in the future.

Personal

e) Interest Prevail Over The Interest of The Country

Party and political interest prevail over the interest of the country. Some individuals put their personal interests over the betterment of the country. This mindset before anything can be put right. If this mindset prevails no matter how many reforms are undertaken, the result will be the same.

b) State-Owned Entities are unviable and uncompetitive

In this present day and age, the concept of 'Government doing business' is considered outdated. Pakistan's state-owned entities which include the power companies, railway, steel mills hemorrhage more than Pakistan can pay off.

b) Consumption led Growth, rather than Growth led Consumption

The growth model in Pakistan is tilted towards a consumption based growth. Instead of living within their means, Pakistanis prefer to overspend their income leading them to incur debt to finance this unstable and unsustainable lifestyle.

i) Flight of Capital leads to depreciating Rupee

Every country in the global south, faces this problem. The flight of capital from the Global South to the Global North. Due to the situation at home; individuals who can park their wealth abroad in safe havens. The lack of stability compounds this and the investor is forced to take this decision. The ever-increasing flights leads to the depreciation of the rupee due to a low demand cycle perpetuated by the flight of that wealth.

MEASURES TO TACKLE INFLATION, AN ENERGY CRISIS, HIGH DEBT AND AN ECONOMIC CRISIS

a) Charter of Economy - Political Stability through Consensus and dialogue

A charter of Economy is necessary to guide the nation's ruling class on the way forward. A grand national dialogue is needed where political entities from across the spectrum participate and are taken into confidence for the betterment of the country.

b) Increasing the Tax Base and Tax-to-GDP Ratio

This is the most important step to achieve stability and growth. Broadening the tax base and increasing the number of people in the tax-net is an important aspect of sustainable growth.

c) Privatization of State-Owned Entities

As mentioned before, 'The Government has no business to do business.' It is the private sector's job to conduct the job while the government's role is to provide the environment conducive for business. Privatization will lead to less loss on the balance sheets and better management of those firms.

d) Curbing Circular Debt through ending unsustainable subsidies

This step requires considerable political capital and will, however, in order for the country to grow this step needs to be taken. This cycle of providing unsustainable subsidies to the masses might get them through the election but if not stopped might bankrupt the country. If subsidies are to be given, mechanism should be devised to ensure they reach only those who deserve it.

e) Promote model of that does not encourage consumption-led growth

This is a step that requires a societal change. Promotion of living within our means and adopting practices that increase the country's growth through sustainable investments and models rather than consumption.

f) Strengthen monetary controls to prevent flight of capital.

Monetary controls are necessary to prevent flight of capital. Cracking down on the illegal channels of funds, and Hawala are one way to stop the proceeds from leaving our country and resultantly this will also strengthen the rupee.

CONCLUSIONS

All in all, the country has and is facing a lot of problems. However, all is not lost and there is some hope. By curbing on unsustainable subsidies, privatizing the SOEs, increasing the tax base and others the country can hope to recover its footing. Unfortunately these reforms are tough and will require consensus from all political parties and the society as well. As no one social class is safe if the country falls.

Question No. 6

The elusive Political stability ----- Discuss.

INTRODUCTION

Ever since 1947, political stability is something of a concept that is alien to Pakistan. Successive governments got removed in a short span in the early years of the country. Later on, ends of martial laws also played their part in ^{the} political quagmire. Political leg-pulling and a ~~dirty~~ culture of politics has taken over that is far from the culture that ^{used to} dominated the air in the early years of independence.

Pakistan and ^{its} economy have always been frail. Political instability adds misery to the woes. To attain growth and lift itself out of the quagmire political dialogue and consensus must be ensured. There are number of solutions starting by ensuring the supremacy of the constitution and the Parliament, a grand national consensus/dialogue among others. Only then can political stability translate to economic stability.

POLITICAL STABILITY AND PAKISTAN

As one flips through the pages of history, one finds that political instability is not something new in modern day Pakistan. It has accompanied it from the start. It can be traced to the following periods:

a) 1948 - 1958

The initial years of independence were tough for the country. As subsequent Prime Ministers were dismissed by the Governor General of the country. Furthermore, the constitutional body and the process that it was tasked took a long time. It was painstakingly slow.

The first dissolution of the Constituent Assembly by the Governor General was done on the above premise, that the assembly was taking a long time to formulate the constitution.

This resulted in the famous *Maharaj Kumar Singh vs Federation of Pakistan* legal battle. In which the Sindh Chief Court declared the dissolution illegal and restored the government. However, the state challenged this and a principle of 'doctrine of necessity' was used to justify it in the later appeal.

This decision opened the floodgates to constitutional ^{mis}adventures.

b) 1958 - 1973

This period was marked by 2 wars and prolonged periods of martial laws. Political stability could never be achieved after ~~the~~ war the martial laws. However, after the fall of Bhutto, and the formulation of the 73' constitution there was some hope in the form of the 70's elections and the later elections that led ~~the~~ the country to draft a new constitution.

c) 1973 - Present Day

After the 73' constitution, Pakistan saw 2 martial laws. During the 90's, The army

tenure of the PM was not more than 2 years.

The then governments of both Nawaz Sharif and Benazir Bhutto were dismissed by the President numerous using Article 58(2B)

Later on, the coup of 1999 led the country to take ~~an~~ ^{another} step back in democratic evolution and political stability. During the 2000's, significant steps were taken to empower the local governments but these were pulled back to the present day situation.

Today, elections and democracy have returned to the limelight. However, a culture of unruliness has taken hold. Politics has become a means to further one's goal/interest. Political victimization and witch hunting has become the norm. Every successive government does away the policies of the previous one and starts a campaign of vindictive politics against them.

In this environment, political stability is nowhere to be found and a new sort of vindictive, polarizing politics has taken hold.

How POLITICAL STABILITY IS A ROADBLOCK FOR PAKISTAN'S GROWTH

a) Lack of Policy Continuity

In this politically unstable environment, ^{frameworks} policies are constantly repealed and replaced by successive governments. This causes all the hardwork done by the formulators go to waste and the country again starts from the ground up.

b) Lack of Policy Ownership and direction:

Along with the continuity, ownership and direction ^{taken} by the successive governments is no where to be seen. Most of the times, in order to differentiate themselves governments pull back on the initiative of the ^{predecessors} previous and push out completely new frameworks.

c) Political Turmoil hampers FDI opportunities

Political turmoil is a sign of instability and investors are like a flock of birds that fly away at the first of danger. Turmoil and instability causes those investors to fly away and even if they are good opportunities those are wasted.

d) Lack of Economic Stability

'Political Stability leads to Economic Stability.'
If the political environment is stable, the economic situation is also stable. As this country has been, with every protest, sit-in the economy takes a massive hit and that take years to recover.

e) International Image is tarnished

Globally, the image that is portrayed of a country is that the country is in turmoil. Any country that has the perception of it being in turmoil is avoided by the international investors. They are wary of their wealth and investments and safety, and security of their investments. Perception is everything in the international arena.

SOLUTIONS FOR PAKISTAN'S CURRENT

STATE

a) Charter of Democracy to implemented in full letter and spirit

The charter of democracy was a landmark document. Unfortunately, it was never implemented in full letter and spirit. Clauses regarding political conduct, the role of the military in the politics need to be revisited.

b) A new charter of Economy

This is a recent demand from growing scores of the political spectrum. A charter that focuses on the country first and political party, personal interest second. It should pave the way for dealing with issues and problems concerned with the economy.

c) Grand National Dialogue and Political Consensus over Economic Matters

————— x —————

This is a necessary process in bringing political stability to the center of Pakistani politics. Dialogue solves everything in politics and everywhere. Until and unless there is no dialogue and consensus regarding the economy neither growth will be achieved nor stability.

d) Policy Stability and Continuation

Along with political solutions, this is also paramount to continue the policy of the predecessors. A good policy yields results after 20-25 years. Repealing it the change of government makes no sense.

e) International Image Building

International image building to show that Pakistan is a stable country. and lobbying for protecting the interests of Pakistanis a must. Image building is also necessary to dispel the perception that the country is on the verge of collapse.

CONCLUSION

All in all, the scenario and picture painted appears to be bleak. However, where there is hope there is a way that can be found. It is necessary to put aside differences and work for the betterment of the country. It can be achieved only through dialogue. This cannot be stressed enough. The reason of instability is ^{the} ~~an~~ lack of communication between players. This can be changed if open and sincere dialogue is taken up. Only then can growth be imagined.