

Essay 3rd "How does rule of law impact economic growth?"

Outline

I. Introduction:

1. Hook

2. Statement

3. Thesis: rule of law, if practiced, in real meaning, completely safeguards and guarantee a good economic growth through tax collection, good security, checking corruption, promoting accountability,

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Nurturing education, Transparency
and bolstering gender equality.

II. Body :

1. Boosting economy through tax collection.

1.1 From businesses

1.2 From land owners and farm cultivators.

1.3 From Govt employees.

2. Encouraging investors (Foreign) by providing
Security increase economic growth

2.1 International Firms opening

2.2 Tourism expansion

2.3 Sports promotion.

3. Minimal corruption reducing economic
Loss

3.1 Accountability of Bureaucrats and
high profile politicians

3.2 Government institutions' accountability.

4. Transparent institutions leading to
economic prosperity

4.1 Merit based jobs

4.2 Eradication of social evil of Bribery

5. Gender equality

III. Conclusion

1. Thesis restated
2. Final thought.

Tom Bingham, a former chief justice of England said that "The rule of law is held to be not only good in itself, because it embodies and encourages a just society, but also as a cause of other good things, notably growth. Rule of law has two pictures, one in the developed countries portraying the importance of it in the ~~countries~~ country's prosperity and, other in the underdeveloped or developing countries showing how a nation reduces to a pile of rubble, when rule of law is scarce in implementation. This contrast in two regions of the world signifies the importance of rule of law in uplifting of the social status and establishing the economic dominance. The supremacy of law not just ensures the delivery of justice but also sets a platform ~~other~~ for countries development in every aspect, especially in economic race. As put by Tom rule of law, if practiced in real meaning, completely safeguards and guarantee a good economic growth through tax collection, better security for investors, checking corruption promoting accountability, Nurturing education

Bolstering transparency and gender equality. legal authority bounds the public and private institutions, and hold them accountable. This accountability in turn provides transparency, which is the root ~~cause~~ and the first step of development. Mr Churchill in world war II said "if our courts are delivering justice in time, then ^{we} will win". And the same happened, despite the German military might. So it shows ^{that} rule of law and justice is the only process towards making a nation or a country great and economically stable.

Primacy of law boosts economy through tax collection. Every country's law defines citizens as equal and highlights their responsibilities to the country. And due to rule of law everyone is bound to pay taxes as a national responsibility. ~~These~~ These taxes fill the national exchequer, promoting economic growth. Tax collection is usually carried out from three main groups. First comes the business clique, who produces a considerable amount of revenue. So if they are not taxed properly and ~~is given~~ impunity is given to some specific business tycoons and are considered above law. This indemnity can inflict a serious harm to a nation's economy. For instance, according to FBR Pakistan, Rs 5.8tr tax compliance gap is faced annually which is 6.9% of the country's GDP. It means almost 7% of a country's GDP is lost to tax evasions of the powerful business due to lack of ~~the~~ legal authority. Second comes the land and farm owners, who in almost every country holds a driving seat in economy. Agriculture sector is mostly documented and hence properly taxed in developed countries but in underdeveloped countries like Pakistan, IMF is pushing the country to apprehend the tax defaulters and evaders. According to a

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World bank report Pakistan's agriculture sector contributes 23.7% to the GDP which is a small number as Pakistan's primary source of income is agriculture. And yet the tax collections are not improving due to tax evasions and ~~lack~~ lack of legal authority. Because rule of law is not properly observed, tax collection cannot be imposed. ~~Third comes the national employees working in~~ ^{both} public and private sectors. ~~Third comes the tax collection from employees of both public and private sector.~~ Which greatly contributes to the economic growth. According a report Norway taxes their nationals about 30-50% of their income. But in countries like Pakistan half of the population's ~~income~~ income is not document ~~are~~ and are not taxed. So taxation if practiced under the rule of law can greatly boost economic growth.

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Not just the tax collection but foreign investments also contribute to national economic growth. As rule of law empowers law enforcement agencies to ensure the security and safety of public, it also underlyingly helps promote safety and better global standing on security index. ~~Secure~~ Secure countries attract foreign investments, ultimately upgrading and lifting nations' economy. In foreign investments, first and most important is the opening of international firms. International groups working in a country boost economy due to their capital expenditure. For instance, China has invested billions of dollars in Pakistan through CPEC but if they are not provided better security they may shut their firms, just like due to lack of legal authority. In a recent event in Khyber Pakhtunkhwa, Pakistan five Chinese, who were working ~~on~~ in a power plant, were killed. So ~~they~~ the Chinese government ~~closed~~ stopped working on power plant due to security threat. which shows the inability of rule of law. Second foreign investment to a country is tourism. A safe and ~~so~~ secure country is always generate revenue from tourism.

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For instance, Switzerland is among the 10 most peaceful countries of the world and has generated about 3% of the GDP from its tourism sector. This signifies the importance of rule of law in economic growth. Third is the revenue from sports promotion in secure and safe countries. Many peaceful countries generate enormous revenues from sports. According to an article by James Brownell in Al-Jazeera, TV rights for the 2018 FIFA World Cup in Russia were sold for around \$4.6 bn. In developed countries security threats are suppressed and dealt with in time and it does not go unrewarded.

Next comes the security threats in developed countries.