

How does rule of law impact economic growth?

Outline

- 1) Quote by Dwight Eisenhower
- 2) What is rule of law and its relation with economics
- 3) Thesis Statement:

The sincere implementation and rule of law will result in stable political arena, healthy business environment, higher public trust, better international relations and a secure state which will have direct implications on the economy of Pakistan. On the other hand, failure in rule of law has evidently resulted in economic collapse.

Impact of the rule of law on Economic growth

- a) Political stability induces healthy economic environment.
- a) Accountability leads toward ^{long-term} sustainable economic policies.
- b) A stable govt will have consistency in policy making.
- c) Technocrats on Govt owned business institutions.

2) A stable rule of law attracts investments businesses

a) A predictable law attracts good foreign and local investment

b) It promotes true competitive environment.

c) can avoid the sheer exploitation of consumers produces

3) A know set of laws builds trust of the public

a) more willingness to pay taxes,

b) respect govt policies

c) play their role through sincerity for their country

4) Security will prevail in the rule of law

a) Deterrence to the criminals

b) active law enforcement against terrorists

- 5) International relations improves with the rule of law
- a) Trust of another state with the set of policies of the host country results in enhanced trade
- b) A country with economic progress positively affects its neighbours which enhances economic relations

Negative impacts if the rule of law was not in place

- 1) Uneven set of govt. policies
- 2) Rule of the powerful would lead to exploitative behaviour
- 3) Poor law and order situation will develop mistrust in public and business sectors

Conclusion

Essay

Date: _____

"The world no longer has a choice between the force and the law; if civilisation is to survive, it must choose the rule of law!" (Dwight D. Eisenhower, 34th president of the United States) This was the quote from the president of a superpower during the cold war who used to be a five-star rank General of the army in WWII. This shows the significance of the rule of law. It holds everyone accountable from top to bottom in the list of social hierarchy. Hence, a proper rule of law has direct positive implications on the economy of the country. Pakistan has a comprehensive and clear set up rules in place. Hence, the sincere implementation and rule of law will result in stable political arena, healthy business environment, higher public trust, a more secure state and better international relations. ~~However, failure to implement the rule of law~~ which will have positive implications on the economy of Pakistan. On the other hand, failure to implement the rule of law will result in economic collapse or evident in the current case of Pakistan.

To begin with, the rule of law will stabilise the political arena of Pakistan which will result in positive economic friendly environment. First, it will open the doors of fair accountability on the leaders and machinery of the state. As a result, sustainable economic policies will prevail that will result in long-term economic growth.

Hence, this will result in economic policies set in place that will have long term positive impact on economic growth. Otherwise, it will cause huge economic repercussions similar to the case of Pakistan. Pakistan is producing one of the most expensive energy due to agreements with IPPs. This has caused a huge burden on Pakistan's economy. Hence, proper policies under the rule of law will avoid such blunders. Moreover, ^{second,} it will result in consistency in policies. Hence, Pakistan would be able to have a uniform policy in tax rates which will facilitate the financial planning of businesses resulting in confidence of investors. Unfortunately, this is not really the case for Pakistan. In third addition, many Govt owned institutions will have technocrats in place to make informed decision. This is one of the reasons why ^{Pakistan} witnessed the fall of SPARCO. It ~~was~~ didn't have any technocrats in the upper

Day: _____

Date: _____

hierarchy of the organisation. Hence, a stable political environment due to the rule of law will inevitably boost the economy.

In addition,

a set laws in place with thorough implementation builds a welcoming business environment. ^{First,} A rational investor always assesses the risky factors of a country before investing in it. According to a report of American University International Law Review, foreign investors are attracted to legal systems that are predictable and efficient. Hence, a rise in investment results in flow of capital into the country, a rise in employment and increased exports.

Next, a set rules of law will promote a competitive business environment in a capitalistic and gov-regulated economy of Pakistan. This will result in consumer-friendly price strategies, better quality product, constant Research and Development and wide availability of goods. This will promote the truly capable businesses and benefit the consumers, as well. For example, Copyright Ordinance 1962 and the Patent Ordinance 2000 of Pakistan governs and protects copyrights and patents of businesses. Last, it avoids the exploitation

Day: _____

Date: _____

of producers with raw material in hand especially in the case of farmers. A proper set of rule will ensure fair pricing and accountability in case of poor policies. The recent wheat scandal resulting in loss of billions of rupees of farmers due to import of wheat in excess has otherwise would not have happened under an established application of the rule in Pakistan. If farmers are not exploited, this will increase the productivity since farmers can afford better machineries, fertilizers, and seeds. Hence, the rule of law will inevitably be in favour of the business environment.