NOA - Economics - Final Mock
Paper - 2

Day: _____ Date: 07/01/25

Question. 1

1. Introduction

Economic growth is imperative for development of countries, such as Pakistan who cannot keep growing at a low rate often economy flourishes for-reaching impact on people. At present the size of GDP is miniscule in proportion to its potential. Redistributive justice cannot solve the current problems in the economy of Pakistan as a whole.

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2. What a development nation like Pakistan needs; economic growth or redistribute justice, to curb the absolute and relative poverty?

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1. Low per capita GDP

in Pakistan, the GDP per capita is $1800 according to Economic Survey of Pakistan

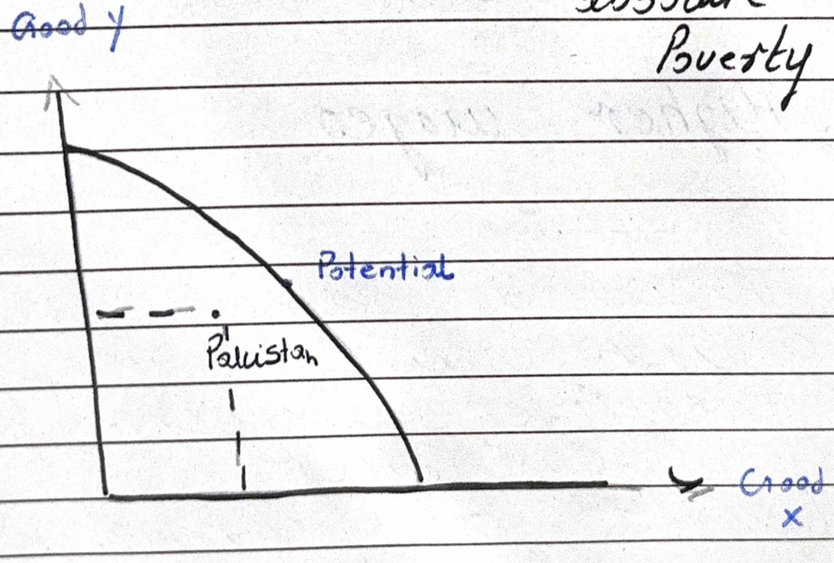
Per capita GDP	$1800	$35,000	$100,000

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this simply shows the abysmal performance of the economy

2. PPC analysis -
a disequilibrium perpetuating absolute poverty



The economy of Pakistan is failing to live upto its full potential and this creates poverty, a push

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B. Employment generation

The unemployment rate in Pakistan is 7% according to labour force survey this can decrease if there is economic growth and people have jobs to earn livelihood the figure is more for rural areas.

c. Higher wages

Rise in economic growth will encourage workers to get higher wages as demand for labour increases in the economy. This will reduce absolute poverty.

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C Transformation of economy - Industrial push increases livelihood

As economy grows it transforms from agrarian to Industrial Rostow stages of growth. This will create higher income in the economy as new business open up and people engage in risk-taking The income of business and other people increase as a consequence.

These businesses also sell Value-Added goods that encourage ~~workers~~ business to pay more due to higher skill levels

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Relative Poverty

1. Social mobility increases with generation

In china, extensive economic growth has allowed people to give better life to the next generations.

Higher economic growth results in the ability of people education, to provide their health to most children more live a prosperous life.

e.g father construction worker, son doctor.

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1. Higher tax revenue to spend on development

State Education - a precursor to relative economic parity

The quality of State education improves when country experiences economic growth as higher funds to spend on People. That reduces educational disparity

In-Kind Transfer

The State also utilize the funds from economic growth to give people essential commodities that reduces wealth

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Safety - Nets

Government can also give people wealth transfer when their is economic growth as higher revenue collection results in greater funds for BISP program

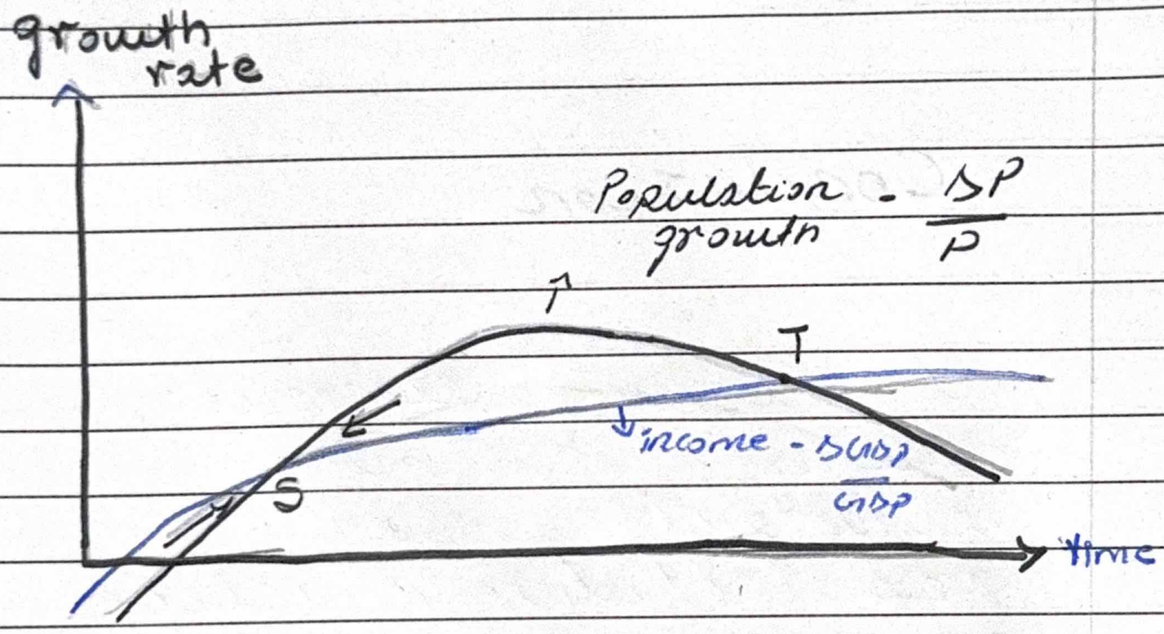
Rural - Urban disparity reduces

As economic growth increases factories are setup throughout the country. This reduces the impact on the rural population as higher factories in vicinity result in better income generating opportunities.

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Population growth exceeds increasing per capita income



The population growth is in geometric rate and income at arithmetic hence as population growth surpasses S and income at S the are pushed back to the sub-perfect equilibrium S- poverty trap of malthus. This is where Pakistan is European countries

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such as France & UK avoided population growth and 2% T due to technology.

Conclusion

Undoubtly, economic growth is more important than redistributive justice as a poor functioning economy has low levels of economy that increase absolute and relative poverty. The focus, therefore, here should be on growth in countries, such as Pakistan.

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Q.4

1. Introduction

Concentration of industrial income and wealth is not the primary causes of income inequality. There are a variety of factors that contribute to this imbalance. Historical, social economic and political factors combine to perpetuate this crisis. A single factor is not responsible for this negative phenomenon.

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2. Concentration of industrial ~~wealth~~ income and wealth resulted in income inequality in Pakistan or there were other factors that ushered the phenomenon

A. Historical economic disparity between Pakistan and India

Before partition the region now Pakistan was mostly a buffer region to keep the Afghans and Russians away.

Industry was in India with more than 500 major business units identified by S. Akbar Zaidi in his book issues and challenges in Pakistan's

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economy.

2. Weather Catastrophe

The climate change and global warming has increasingly become a economic destruction for Pakistan as 7000 glaciers in the north that melt and flooding that destroys the life and livelihood of People. 1/3 of Pakistan in water - UN 2022

3. Agrarian structure of economy

Pakistani labour is still mayorly employed in the agriculture Sector. 45% labour force Survey 2021 this Sector usually pay low wages / not income inequality.

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4. Insufficient planning
- Adhoc basis

Pakistan also lacks planning - in most sector that create distortions impact e.g circular debt 2.4 trillion due to capacity payments burden of this imposed on the poor.

5. Nationalization

The country also carried out a nationalization program in the 1970s that destroyed the economy Capital flight occured and as industry decreased most people become poor

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6. Rural development
Low

Lack of focus on developing rural areas despite majority of the population living there. 142.5 million people live in rural areas - economic survey of Pakistan.

7. Lack of spending on inclusive measures - education

The federal and provincial governments spend less than 1% on education that creates the cycle of less skills, less pay and rise in income inequality.

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8. Low literacy of women makes them less employable

The women literacy rate is 54% in Pakistan and these women most of the times do not work. The income of the household decreases and interests income increase

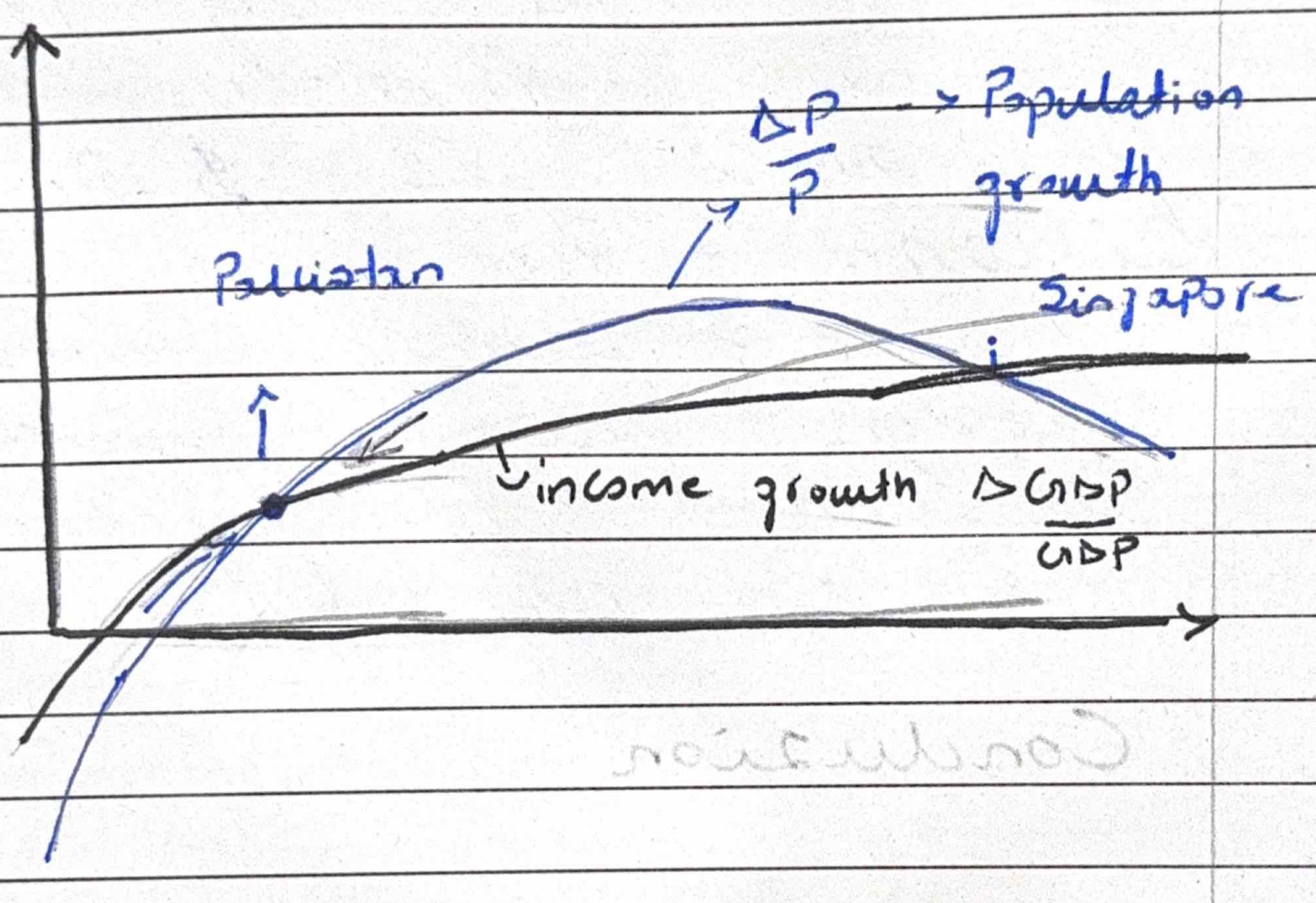
9. Insufficient trade with neighbours

ASEAN, Atlantic trade and EU trade are all examples of countries achieving prosperity by trading but in South Asia less trade as hostility between neighbours that creates increase in inequality.

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10. Excessive population growth rate - a subperfect equilibrium - malthus trap



11.

The graph above shows to position A and B.

Pakistan is stuck at the malthusian trap that is a income rises their is increase in population at a geometric rate that surpasses arithmetic

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fourth of income. Countries like European Singapore broke this top

12. Geo-political tensions - war on terror

The cost of war on terror according to Pakistan Bureau of Statistics is $130 billion. This has created more economic burden on people of Pakistan and increased income inequality

Conclusion

As the above argument highlight that the cause of income inequality in Pakistan is not concentrated industrial income but a variety of factors that have created this crisis.

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Question - 6

1. Introduction

Foreign aid and investment are some relief providers in Pakistan though remittances are the major economic boost that keeps the economic cycle going. Remittances have allowed the country to avoid major financial crisis and maintain a sub-optimal economy running. There is a over-reliance on remittances in Pakistan that is due to the economic benefits it brings.

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2. Volume of foreign aid and foreign investment in Pakistan remain less than the foreign remittances by Pakistan diaspora. What is the role of foreign aid, foreign investment and remittances in the economy of Pakistan?

1. Keep the economy afloat

Pakistan avoided a major default in recent times as remittances funds reduced the amount needed to borrow from IMF in the 25th bailout.

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2. Reduces burden on the state

As remittances come in it reduces some of the pressure on the state to provide adequate standard to the people.

3. Foreign Reserves increase

The foreign reserves of the country are maintained at some level due to receipts from foreign remittances.

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4. Current Account Surplus

Pakistan posted a current account surplus of $ 1.2 billion in FY 2025 due to increase in remittances to $ 30 billion

5. Families can sustain themselves

The poor families can afford basic necessities through these as inflation of 24% CPI FY 2024 destroyed purchasing power of consumers.

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6.

foreign inuestment

1. low levels less than 12% of GDP

The foreign inuestment remains at low levels of 12% Economic growth and failed to give much needed boost.

	Pakistan	USA	Singapore
FDI	12%	24%	22%

World Bank 2024 data

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2. Inuestment by china predominentely created overdependence

The chinese FDI created an overdependence in Pakistan on China as china became sole investor. However, the recent development with USA of minerals reduces this.

3. Government has been pushing to get increase in foreign direct investment for industrialization

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Foreign aid

1. Help mitigate impact of natural disasters, such as floods.

Foreign aid helps mitigate some of the impact of natural disasters. as 2/3 of Pakistan in 2022 was in water it provided some relief.

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2. Help combat diseases
- Covid 19, polio

The aid helps reduce impact of some of the diseases, such as Covid 19 pushed 40% of population beisin poverty line.

3. Reduce impact of climate changes

The foreign aid by US AID is helping reduce impact on communities of extreme temperatures in communities, such as Thar.

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4. Reduce input of poverty - malnutrition

Foreign aid allows the country to provide better nutrition as 40% of children stunted due to inadequate food in Pakistan — Food and agriculture organization UN

Conclusion

Pakistan's economy is more dependent on remittances than on aid and foreign investment. There is a push to increase investment as the current model is unsustainable.

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Question 7

1. Introduction

Privatization, deregulation, disinvestment and denationalization are various economic measures that the country has to impose to ensure its economy stays on track. Inefficient spending is reduced these measures and efficient spending optimized. The welfare of the citizen, therefore, is maximized. Otherwise, there are perpetual cycles of fiscal deficit and current account deficit that create debt burden.

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2. Clearly differentiate among privatization, Denationalization, Deregulation and disinvestment. Explain the differences of these phenomenon with examples from Pakistan.

Privatization

refers to the ~~fatt~~ selling of assets of the government and giving it to the private sector

usually occurs because these assets are draining the revenue of the country and have become loss making organizations

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Case 1

PIA privatization

In recent duelspment, PIA was sold to the Arif habib group at rupees 85 billion This is a example of priodtization in pakistan.

Case 2
Selling of KE

a DISCO KESC was sold to chinese companies to decrease losses.

case 3

Privatization of PICL

A telecommunication company was sold to china 25 cell to reduce losses

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Denationalization

Denationalization is when the government gives back the sector it had privatized to the private sector.

Bhutto - nationalization of 32 industries
1970s

Nawaz Sharif - Denationalization
1990s

Nawaz Sharif denationalized most of these industries, such as banking and gave it back to private sector.

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Disaster impact of this was capital flight and despite denationalization private sector lost trust

Deregulation

Deregulation is when the government stops regulating or endorsing policies in certain sectors.

IMF demand to deregulate wheat

There was a support price given to farmers to avoid food insecurity but IMF demanded this be removed for new tranche of loans.

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Feature - inefficient
spending as end
consumer forely passed
of the subsidy.

Disinvestment

This is when a government reduces its expenditure in certain projects

- It is a scalebzelc in investment.

e.g Government reduced its expenditure on infrastructure project.

impact - reduces development of important things, such as roads, schools, transmission ~~fees~~ lines.

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Conclusion

Most of these phenomenon have a history and current impact on Pakistan and its economy as the policy makers have failed to develop a consistent policy and implement it.

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