

NOA - Economics - Final  
Paper - 2 Mock

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Question 1

1. Introduction

Economic growth is imperative for development of countries, such as Pakistan who cannot keep growing at a low rate when economy flourishes it has far-reaching impact on people. At present the size of GDP is minuscule 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?

mention the reasons why we need economic growth?

E

1. Low per capita GDP

per capita GDP or GDP per capita be consistent in using terms

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

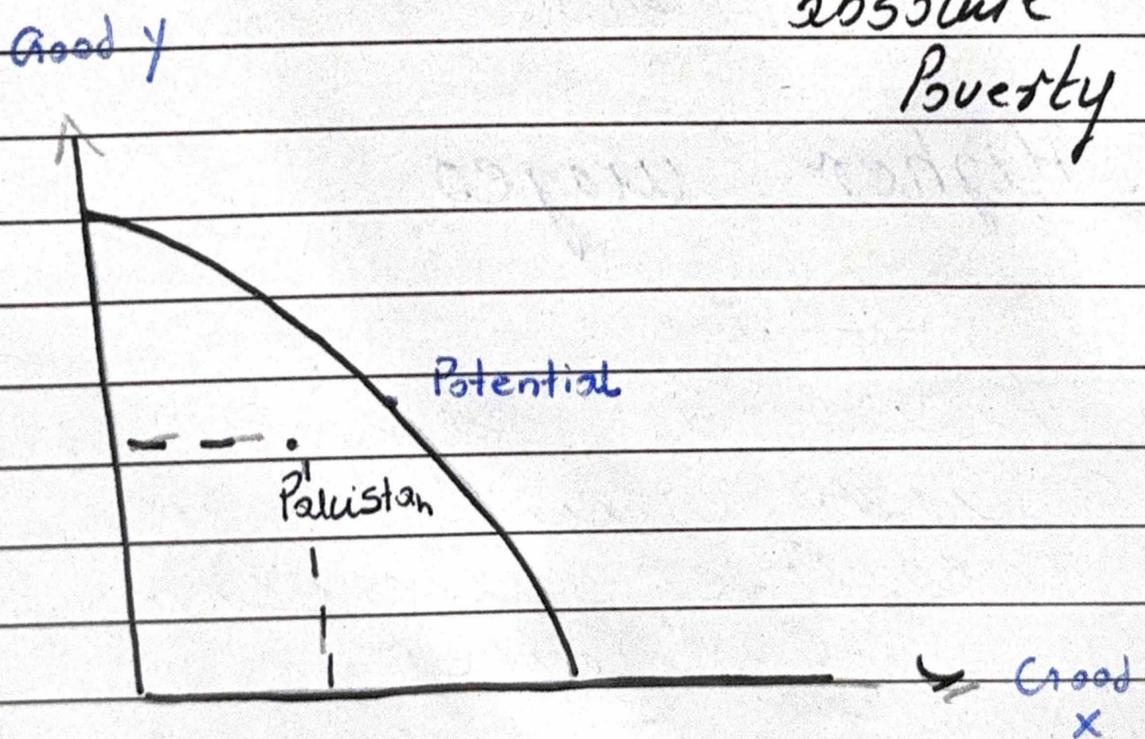
Per capita GDP	\$1800	\$35000	\$100,000
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This simply shows  
the system's performance  
of the economy

2. PPC analysis -  
a disequilibrium perpetuating  
absolute  
Poverty



The economy of Pakistan  
is failing to live  
up to 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 worse 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.

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 upon  
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 ~~watters~~ business  
to pay more  
due to higher  
Skill levels

## 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 to provide education, health to their children that live a more prosperous life.

e.g. father construction worker, son doctor.

R

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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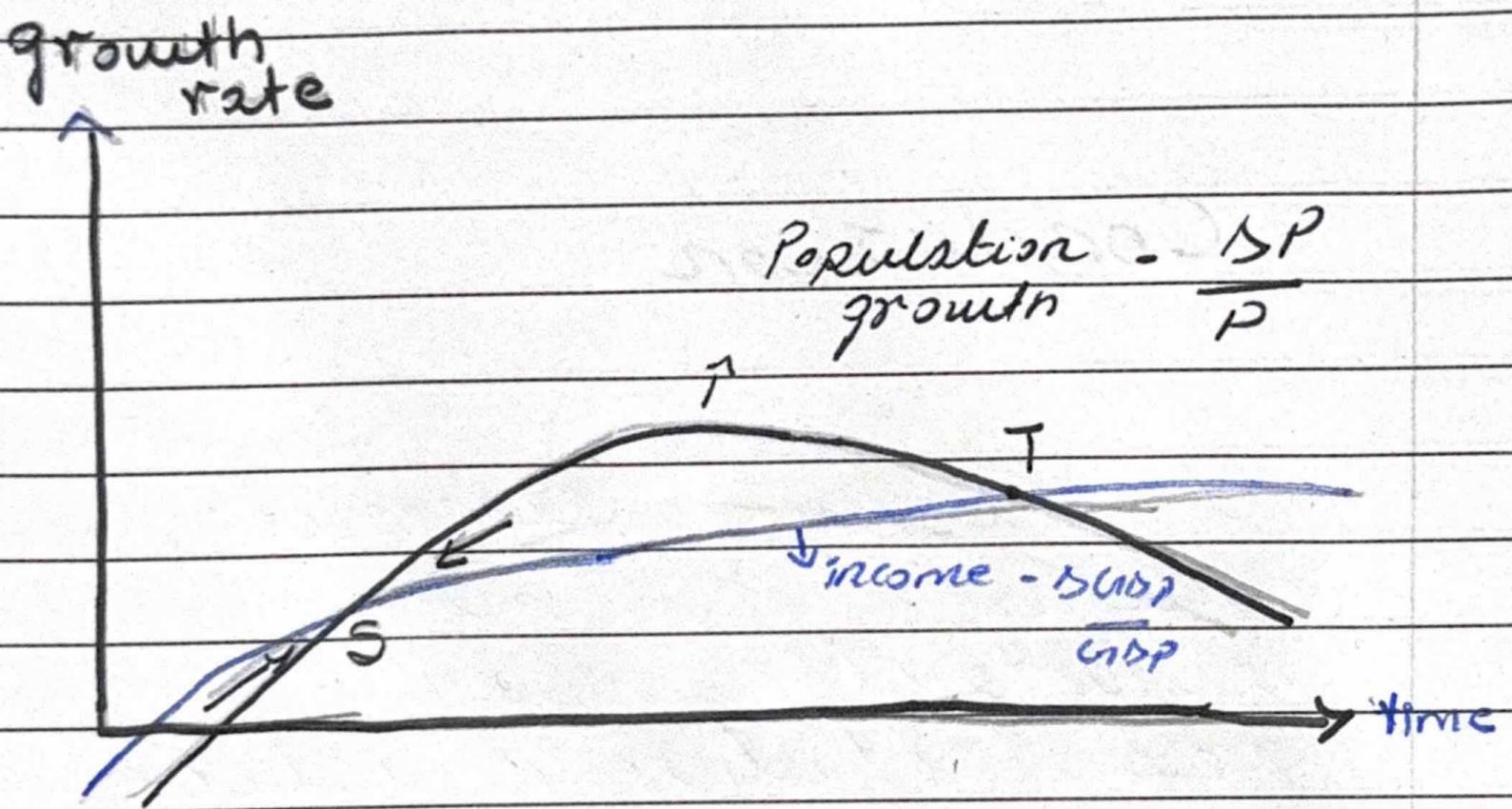
## Safety - Nets

Government can also give people wealth transfer when there 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.

Population growth  
 cases - 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

Such as France &  
UK avoided population  
growth and at T  
due to technology.

## Conclusion

Undoubtedly, 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 and income 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 businesses units identified by S. Akbar Zaidi in his book issues and challenges in Pakistan's

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 creating flooding that destroys the life and livelihood of people.  $\frac{2}{3}$  of Pakistan in water - UN 2022

## 3. Agrarian structure of economy

Pakistani labour is still majorly employed in the agriculture sector. 45% labour force survey 2021 this sector usually pay low wages that income inequality.

#### 4. Insufficient planning - Adhoc basis

Pakistan also lacks planning - in most sectors that create disastrous 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 caused capital flight and industry decreased as people become poor.

## 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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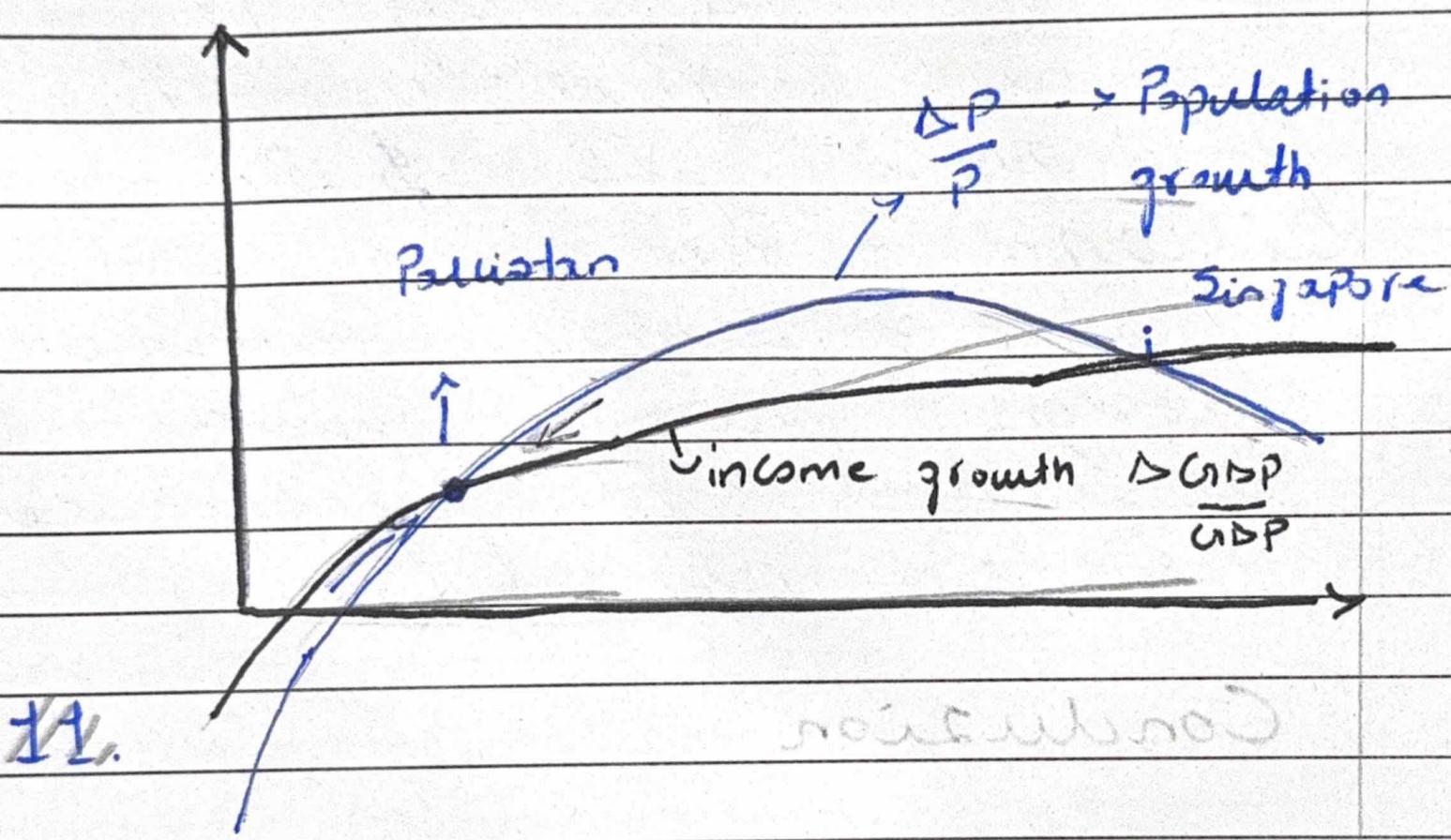
8. Low literacy of women makes them less employable

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 increases income inequality.

9. Insufficient trade with neighbours

AZEAN, 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.

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



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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growth of income.  
Countries like European  
Singapore <sup>have</sup> ~~had~~ 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 severe 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

excellent  
this is how we need to address every question  
13/20 for this

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## Question - 6

for 20 marks you have to write  
at least 20 headings  
justify more with more  
headings  
instead of writing too lengthy  
and a few headings

avoid leaving blank  
spaces and lines  
a very poor impression

### 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 net reliance on remittances in Pakistan that is due to the economic benefits it brings.

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?

do not rewrite the question as it is summarize it like a topic ans start at the very beginning of question

1. Keep the economy

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

why to skip so many lines

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.

Foreign  
3. <sup>^</sup>Reserves increase

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

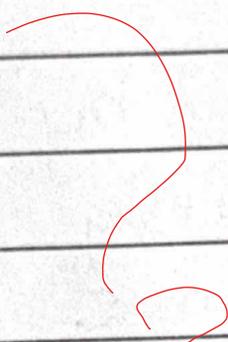
#### 4. Current Account Surplus

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.

6.



## Foreign investment

1. Low levels less than 12% of GDP

The foreign investment remains at low levels of 12% economic survey of Pakistan and failed to give people much needed boost.

	Pakistan	USA	Singapore
FDI	12%	24%	22%

World Bank 2024 data

2. Investment by China  
predominately 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  $\frac{2}{3}$  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 below 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 Texas.

4. Reduce impact of poverty - malnutrition

Foreign aid allows the country to provide better nutrition as 40% of children starved 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.

## 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 sale 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 development,  
PIA was sold to  
the Arif Habib group  
at rupees 35 billion.  
This is an example  
of privatization 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 to  
reduce  
losses.

## Denationalization

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

Bhutto - nationalization  
1970s of 32 industries

Nawaz Sharif - Denationalization  
1990s

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

Risster 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.

feature - inefficient  
 spending as end  
 consumer rarely passed  
 of the subsidy.

## Misinvestment

This is when a  
 government reduces  
 its expenditure  
 in certain projects

- It is a scale back  
 in investment.

e.g. Government reduced  
 its expenditure  
 on infrastructure  
 project.

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

## Conclusion

Most of these phenomena 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.

material is fine  
but differences or similarities are always written in parallel columns

10/20

content is ok  
you need to work on how to address a question

please improve your presentation skills  
you may discuss your paper with me on my number