

# The Nexus of Political Instability and Economic Uncertainty in Islamic Republic of Pakistan: A Way Forward

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## Abstract

The ongoing political instability and economic uncertainty in Pakistan have raised significant concerns regarding the nation's future trajectory. This paper explores the intricate nexus between political turmoil and economic challenges, analyzing how they mutually reinforce each other to hinder progress and stability. Drawing on Islamic principles of governance, justice, and economic management, this study proposes an Islamic framework as a potential solution to Pakistan's crises. The Islamic perspective emphasizes principles such as Shura (consultation), Adl (justice), and Maslahah (public welfare), which can offer a balanced approach to governance and economic reform. By incorporating these values into the political and economic systems, Pakistan can create a more stable and equitable environment conducive to growth and development.

This research outlines practical strategies grounded in Islamic teachings, focusing on establishing trust in leadership, promoting social justice, and ensuring equitable distribution of resources.

Additionally, the role of ethical leadership and accountability is highlighted as a means to restore public confidence and attract investment, fostering economic resilience. The paper concludes by suggesting that a shift toward an Islamic framework can provide a holistic and sustainable path for addressing Pakistan's political and economic challenges, paving the way for long-term stability and prosperity.

**Keywords:** Political Instability, Economic Uncertainty, Pakistan Islamic Framework

### **Introduction**

The political instability and economic uncertainty have deep insights for each other. A stable political system characterize with strong democratic culture brings consistency of policy making and implementation. This stability in political system can bring economic wellbeing. The politico-economic situation in Pakistan is characterize with instability. The democratic governments in Pakistan kept derailing off and on. The absence of political conciliation among political powers and actors is causing political instability. The frequent change in the governments brings insistency of policy making and implementation which is causing economic uncertainty.

### **Background of the Study**

Pakistan came into being on the name of Islam and socio-political harmony. It is quite unfortunate that Pakistani leadership remained fail in establishing a consensus on the language, the role of Islam, basis of representation among provinces, division of powers and harmony among center and provinces. Pakistan hardly managed to formulate its first constitution, but the experience of democracy was short lived and characterize with the frequent changes of the governments. In October 1958, General Ayub Khan easily hijacked the political scene and staged a military coup. The political environment of Pakistan was shifted from democratic to authoritarianism during 1960s and 1970s. Though this transition brought economic certainty, but it caused

adverse effects on politics. The end of Bhutto's era was characterized with agitation politics.

Zia furnished with political-religious parties' factor in Pakistan's politics and street mosque culture within the power structure. This period brought extreme ethno-religious and socio-political divisions in the society. This transition led to acute political instability and economic uncertainty from futuristic point of view. Frequent exchange of hybrid governments between Benazir Bhutto and Nawaz Sharif led the country to another military intervention. The 21<sup>st</sup> centuries Pakistan was knowing in the world as the epicenter of extremism, radicalization and terrorism. The socio-economic harmony of Pakistan was at stack due to political unrest. Charter of Democracy was a hallmark in the 21<sup>st</sup> century of Pakistan formulated between the two archrivals of Pakistan's politics: PPP and PMLN. This advancement led Pakistan's politics to a politics of harmony, consolidation and friendly opposition. Even after some agreed principles, political leadership could not manage to exclude the chances of intervention by the undemocratic powers. Military intervention in civilian and public matters and judicial activism were the key features of Pakistan's politics in this period. Though establishment escaped many chances where military coup was sure short. Memo Gate scandal was one of the examples.

The end of Khan's four-year tenure in 2022 was characterize with anti – American and anti-establishment slogans. There was a public resentment on the dismissal of PTI government and return of hybrid phenomenon of PDM. Dismissal of Punjab and KPK assemblies by the PTI ministries in both provinces with the hope of new elections brought acute political instability. Frequent changes in government, low and weak democratic culture and inconsistent policies making and implementation has implicated deep impacts on the economic sphere of the state. According to World Bank Pakistan's Human Development Index (HDI) remained lowest in Asia after Afghanistan and Yemen in recent past. Afghanistan and Yemen both were war torn states. Both are politically unstable and eventually unstable in terms of economic

development. Pakistan's acute political instability was the major cause of economic uncertainty.

**Main Argument:** A stable political system, strong democratic culture and consistency in policy making can bring economic wellbeing

**Hypothesis:** The political instability, frequent changes in governments and inconsistent policy making is causing economic instability in Pakistan. Pakistan needs a stable political system that characterize with strong democratic culture and long-term consistent policies to bring economic wellbeing

### **Research Question**

1. How historically political instability and frequent changes in the governments implicated economic wellbeing in Pakistan?
2. How specific political events caused political instability and then political instability caused economic unrest with reference to economic indicators?
3. Which policy and governance reforms in the form of sustainable approach, can be recommended to diminish the adverse effects of political instability on economic uncertainty in Pakistan?

### **Significance of the Study**

This research work gives a deep insight on the historical background and contemporary political dynamics of Pakistan with reference to causal relationship of impacts of political instability on economic uncertainty. This research work also proposes a sustainable approach to deal the politico-economic issues in Pakistan.

### **Research Design**

This research analyses the impact of instability in Pakistan's politics on economic unrest. Primary data is taken from the World Bank and United Nations Population Division's websites, UNDP and concerned department of the Government of Pakistan like Pakistan Bureau of Statistics, Planning Commission of Pakistan, and National Assembly's Secretariat. It is a qualitative and quantitative study. It is a descriptive, comparative and analytical research. Researcher analyzed historical data, nature of political

events, economic indicators and the causal interconnectedness between political and economic instability in Pakistan with a broader comparison of political stability and recent economic boost in India. As research in political science is more applied in nature than basic therefore this research proposed an approach for problem solving.

### **Variables**

Independent Variables: Political stability, Strong democratic culture, long term policies

Dependent Variables: Economic wellbeing, GDP, fiscal deficit, poverty index

### **Main Body**

Globally there are number of evidences where this argument is applicable that political stability brings economic wellbeing. India, with a population of more than 1.4 billion, is the world's largest democracy. Over the past decade, the country's integration into the global economy has been accompanied by economic growth. India has now emerged as a global player. It has emerged as a fastest growing economies of the world. With the same pace of economic development, India will be a high middle status country in 2047. In FY22/23, India's real GDP expanded at an estimate of 6.9 percent with a net worth of \$10.2 trillion. (Heritage ) The fiscal deficit is falling from over 13 percent in FY20/21 to an estimated 9.4 percent in FY22/23 while the public debt has fallen from over 87 percent of GDP to around 83 percent over the same period. (The World Bank) According to the Reserve Bank of India, it had the fifth largest foreign reserves with the net worth of \$561 billion in the FY19/20. (RBI ) According to UNDP report " National Multidimensional Poverty Index Progress Review 2023" 135 million people escaped multidimensional poverty between 2015-16 and 2019-21. The country registered a significant decline of 9.89 percentage points in India's multi dimensionally poor from 24.85% in 2015-16 to 14.96% in 2019-2021. The rural areas witnessed the fastest decline in poverty, from 32.59% to 19.28%. (UNDP, National Multidimensional Poverty Index Progress Review 2023) Besides these remarkable transitions, Indian economy is

witnessing challenges also but these economic indicators have contributed to raise the image of the country globally. Today India is known as a world's largest democracy. Since independence, India's political system witnessed stability as compared to Pakistan.

India is experiencing political stability under Prime Minister Narendra Modi. This political stability has allowed India to bring legal reforms, improvements in overall welfare poster of state and basic infrastructure enhancement. The potential of the country can be seen by its space mission, flourishing economy and growing soft image through sports and entertainment. World Bank issues a report on index of political stability, provides an overall analysis that will a government in a country be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism. According to its recent report, the average value of political stability index for India during 1996-2021 was -1.08 points with a minimum of -1.51 points in 2003 and a maximum of -0.62 points in 2021. For comparison, the world average in 2021 based on 193 countries is -0.07 points. (World Bank) This shows the likelihood of derailment of democratic government in India remained almost minimal. Thus, due to the continues democratic process in the country is enabling governments to take long term policies and flourishing the economy.

Pakistan, with the population of 241.1 million as per census of 2023, is the world's 42th largest economy of the world. Pakistan occupies strategic endowments and development potential. The increasing proportion of Pakistan's youth provides the country with a potential demographic dividend and a challenge to provide adequate services and employment. Pakistan's economy is estimated to contract in FY23 after two consecutive years of stellar growth. Overall, real gross domestic product (GDP) is estimated to have declined by 0.6 percent in FY23 after growing by 6.1 percent in FY22 and 5.8 percent in FY21 and is projected to reach only 1.7 percent in FY24 and 2.3 percent in FY25. (World Bank) Pakistan Consolidated Fiscal Balance recorded a deficit equal to 7.9 % of its Nominal GDP in Jun 2022,

compared with a deficit equal to 6.1 % in the previous year. Inflation rate remained 19.08 in FY22. (Wold Data) Poverty in Pakistan has been recorded by the World Bank at 39.3% using the lower middle-income poverty rate of US\$3.2 per day for the fiscal year 2020–21. (Wold Data) Independent bodies supported estimates of a considerable fall in the statistic by the 2007-08 fiscal year, when it was estimated that 17.2% of the total population lived below the poverty line. The declining trend in poverty as seen in the country during the 1970s and 1980s was reversed in the 1990s by poor federal policies and rampant corruption. This phenomenon has been referred to as the "poverty bomb" In 2001, the government was assisted by the International Monetary Fund (IMF) in preparing the Interim Poverty Reduction Strategy Paper that suggested guidelines to reduce poverty in the country. According to a report submitted by Ministry of Planning and Development in the National Assembly of Pakistan, about 24.3% Pakistani lived below the poverty line which translates into 55 million people in FY2016. (National Assembly Secretariat) As of 2022, Pakistan's Human Development Index (HDI) is 0.544, and ranks 161 out of 192 countries, lowest one in Asia after Afghanistan and Yemen. (UNDP, Human Development Report 2020: Human Development and The Anthropocene) According to the World Bank, poverty in Pakistan is raised by 37.2 percent in FY23. (World Bank )

Keeping in view Pakistan's economic performance in key areas like GDP, Fiscal deficit, Poverty Index and HDI, it could be concluded that Pakistan's economic indicators indicates that Pakistan's economic performance remain unsteady. It is arguable that Pakistan and India both are Asian nations. Both have gone through the same Pandemics Covid19 circumstances, but poverty rate indicators indicates that poverty in Pakistan is on rise where as in India it is on decline. If a sharp analysis of political and democratic landscape of Pakistan is made, it can be safely said that during the last 2 decades Pakistan have witnessed a martial law and three consecutive civilian rules, but these civilian rules were characterize with immense political interference by the

military and severe political resilience of political powers on the undemocratic powers. According to Blondel, a system is vulnerable if it is lack of extractive, regulative, distributive, symbolic and responsive capabilities. (Blondel) This is quite unfortunate that Pakistan's Political system is lack of these capabilities. Weak orientation of political institutions, inefficient political system, lack of nationwide political parties and responsive political elites, weak democratic culture, political corruption and absence of free and fair election were the major causes that contributed to the social unrest and political instability since the independence of Pakistan. (Burner)

After independence, Pakistan's political landscape was unstable. Frequent changes in the governments and lack of conciliation among political powers led the tradition of military intervention in Pakistan's politics. Pakistan military availed the chances of military intervention for four times in history: October 1958, March 1969, July 1977 and October 1999. Due to weak orientation of political and democratic institutions, military remained in hegemonic position both in domestic and foreign policy. Prime Minister Zulfikar Ali Bhutto's Leftist charisma remained fail. General Zia manipulated the very space provided by the lack of reconciliation of the politicians in Pakistan. Benazir's efforts for the liberal accommodation could not meet the challenges of democracy. Nawaz Sharif's efforts to manipulate his opponents further reduced the chances of consociational democracy and stable politics. These tactics gave rise to Musharaff's martial law, who was a more politician than a general. Next 2 decades remained extremely unstable in terms of both politics and economy of Pakistan even though three political parties managed to complete their tenures except PTI. The average value for Pakistan's economy during that period was -2.09 points with a minimum of -2.81 points in 2011 and a maximum of -1.1 points in 2000. The latest value from 2021 is -1.67 points. (The Global Economy) Keeping in view the above discussion on political and economic indicators of Pakistan, it is generally argued that even if Pakistan's political leadership had representative authority yet they remained fail to strengthen the democratic culture of the state that



could have delivered social justice and economic certainty. The differences among political elites have led Pakistan to political cleavages also after ethnic and religious cleavages. Pakistan desperately needs a sustainable approach to deal its politico-economic issues

### **A Way Forward**

Pakistan is a deeply divided society in terms of ethnic and religious sphere. Past two decades had clearly characterize with strong political cleavages that has hampered the economic growth of the country as well. Poverty is on rise. Inflation has become an uncontrolled phenomenon. Middle class is shrinking. Human development index and GDP percentage are on decline. Foreign direct investment is on low. Fiscal Deficient is rising. All these economic indicators are generating social unrest. Pakistan desperately needs a sustainable approach to deal with its Politico-Economic hazards. There can be many recommendations in this regard but Democratic Consociationalism can be helpful in this regard with strengthening the democratic culture. Democratic Consociationalism is a democratic set up based on the power sharing among various social and political elites of the society. The idea was first introduced by the Arend Lijphart in 1970s. Consociational democracy can be helpful for countries, deeply divided into distinct religious, ethnic, racial, and regional segments. In case of Pakistan political divisions should also be considered. These divisions are usually considered unfavorable for stable democracy. In this regard the theory of the elite cooperation of Consociational democracy can be considered. The two main features of consociationalism are government by grand coalition and segmental autonomy. Government by grand coalition is the institutional setting in which representatives of all significant segments participate in common decision making regarding common concerns, whereas decision making remains autonomous for all other issues. The broad explanation is that the elites of the groups will coordinate to avoid conflicts. This form of democracy is working successfully in Switzerland since 1943. There are some other examples as well, but some scholars considered EU as an example of

Consociational democracy. In case of Pakistan the Charter of democracy was a worth mentioning document in recent history when two archrivals in Pakistan politics decided to make consensus on basic issues to create political harmony and to diminish democratic deficit.

In order to mitigate the impacts of democratic deficit on economic instability, here are some recommendations that may be helpful with idea of Consociational democracy

1. There should be a consensus on charter of economy among the political elites on which no compromise should be made whoever comes in power in center and provinces with consistency in policy making and implementation. This charter can be formulated among elites and later on should be the base of the governance after election
2. There should be a mechanism of accountability of the political elites and establishment in case of their intervention in public affairs through electoral consciousness. Free and fair election instead of political engineering can make sure it.
3. Right person for the right job should be the criteria for allocation of ministries.
4. Resource allocation among center and provinces and between provinces should be made on equity. Much of the tension caused between the provinces on the resource allocation have been noticed
5. . If equity would have been taken as a baseline in this regard, provincialism can be dealt.
6. Policy of state both in politics and economy should be human centric not state centric. Nation crafting can be done effectively by the provision of basic infrastructure and by making the policies to uplift the living standard of the common man
7. Finally strengthening institution should be taken on board instead of personality cults. The results of personality cults have been witnessed by the Pakistani society even in the recent past. Institutions can be

strengthened by prevailing the democratic norms. It is a time taking process but once the direction is made, it is achievable.

### **Conclusion**

Pakistan is politically unstable country. It is in the struggle to mitigate the impacts of political instability on economic stability. Though out its history political elites could not manage make a consensus on baseline of political issues that actually hampered economic stability also. This is the high time for Pakistan to make a sustainable policy in this regard. Democratic Consociationalism can be one way to mitigate its impacts of political instability on economic stability. Though Consociationalism is a social way to craft unity among a society divided on the base of social, ethnic and religious lines yet in case of Pakistan if political elites formulate a charter containing both political and economic policies, this can be helpful.

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