

## Causes and Consequences of Political Instability: A case study of Pakistan

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### **Abstract**

The main purpose of this study is to find out the causes and consequences of political instability in Pakistan. Pakistan is among the little number of countries of the world where political instability badly damaged the economic growth regardless of marvellous resources. This study focuses on the interaction of political decision and national economic growth in Pakistan. For the conduct of this study interview of three persons of different fields were conducted and reproduced the same and made the conclusions and suggestions in the light of these interviews. All the respondents are seems to be agreed that the political stability is the only solution of all the problems of the country such as law and order situation, financial problems of the people, foreign policy, international business and exchange rate.

**Keywords:** Political instability, causes, consequences, Pakistan.

### **1. Introduction**

Political insecurity plays out an indispensable part in monetary improvement of a nation. A flimsy political gadget could seriously hinder monetary development. The considering political precariousness was once portrayed by method of Lipstel (1960). He expressed, "a us of an is seen as steady on the off chance that it has been a liberal and consistent vote based system or autocracy for a very long time", in any case current politico-monetary way of thinking has changed the subculture of political instability and portrayed the strategy for political trickiness. The fundamental thought is that the profitability of the public position contraption relies on when in doubt on the consistency of extreme political government. An organization is regarded to be inefficient if consideration targets contrast all through a concise range of time. The association between political flimsiness and monetary progression can be explored in two distinct manners. First thing, politically insecure natural components make weakness and eccentrics which decreases private financing guideline to reduce being developed. Likewise, political weakness changes adventure and impacts the interest of parts and changes the case of use which has direct effect on monetary addition as a choice than influence on theory (Asteriou and Price, 2001). Prior investigation shows that instable and hazardous universe of legislative issues ominously impacts the money related advancement of a country and causes weakness of plans and assurance making. For peril ominous sponsors the opportunity of substitute of governments subverts future courses of action and they should put elsewhere in the guaranteed zone as a substitute than to make interests in a fickle ecological variables (Alesina and Perotti, 1996; Barro, 1991).

Pakistan has defied adaptations in shoot rate for the clarification that 1970, the recognize a down flip in monetary addition was experienced as a result of political precariousness postponed repercussions of 1971 war. During this doing combating Pakistan lost a satisfactory segment of monetary as agreeably as HR. In the last half of 1970s, Pakistan valued a sensible addition cost till the a year 1988, in light of Afghan fight, in view of the

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truth of consistent and upheld money related techniques. After 1988s, decrease has been considered in Pakistan's financial advancement charge on account of only political flimsiness, clashing and senseless political and money related methodologies. After 2000 again an upward and significant style in GDP and improvement has been found (Hussain, 2009).

Political harmony is imperatively pivotal for the achievement of nation working, for instance, political unforeseen development and cross country coordination, which has direct impact on improvement of philosophical gatherings. The progression in states-present day or modernizing, takes an area due to the moving degree of political" adequacy. "It might be seen as essential to hold agreement, concordance, enduring holy contentment's, security of experts foundations and responsibility for demand" (Michael, 1971).

## **2. Significance of the Study**

The most sizable segment of this investigation is that how political precariousness debilitate monetary development, and subsequently antagonistically impacts the financial and world of politics of a nation. Political flimsiness lessens period of prosperity and this markdown and drowsy down of monetary activities undermine the neighborhood and unfamiliar speculators to place their subsidizing in quite a dangerous climate. This fall in venture decreases the efficiency, investment funds, and furthermore utilization level in view of fall in acquiring limit and buying quality of masses. The political precariousness reasons swelling and joblessness to upward push and this high expansion and joblessness make social un-rest and vulnerability among the individuals and this un-rest can prompt standard strikes and brutality not exclusively towards bosses anyway likewise against Government approaches. The reason kind of the general public beginnings offevolved condemning on specialists plans. These social distress and strikes will avoid on a terrible sign to the speculators. Thusly, purchasers falter to put their huge speculations in question and danger.

## **3. Research Questions**

1. What are the causes of political instability?
2. How does political instability affect on economic growth?
3. How does political instability effect on foreign policy of Pakistan?
4. How does political instability effect on law and order situation in the country?
5. How does political instability effects on financial problems of individuals?
6. How does political instability affect on development of the country
7. How does political instability affect on education?
8. What is socio-political instability?
9. How does political instability affect exchange rates?
10. How does political instability affect international business?

## **4. Objectives of the Study**

Following are the objective of the study:

- To explore the causes of political instability in Pakistan.
- To investigate the factors responsible for political instability in Pakistan.
- To measure the consequences and solution of political instability.

## **5. Literature Review**

The destruction of political contraption has woke up the development among masters and made them take a close by show up at the impact of political weakness on the monetary progression and GDP impact rate. Various examinations have investigated the presence of banter association between political unusualness and money related execution. Hibbs (1977) watched out for some policy driven issues which have been obligated for poor monetary activities. Later on, Gupta (1987) analyzed the socio-mental segments which reason the political flimsiness. He also suggested with the effect of such mental factors on the monetary example. Hostile money related insurance game plans damage and smash the monetary turn of events. Officials help and advance those game plans which are in their own exceptional preferences. What's more, Alesina and Perotti (1996) commented that regarding as private theory is concerned, political weakness prompts low turn of events; it makes danger and weakness in the u . s . a . which achieves reduced measure of adventure. Right when the size of sponsoring falls at last, the yield level in like manner reduces which diminishes the assessment of work, low compensation, outrageous expenses, vivifies the development all of capital and items markets. Owing to this reduction in local productiveness the weight shifts towards imports extra and this may shorten the assessment of abroad exchange. Cukierman, Edwards and Tabellini (1989) confirmed that weakness about money related security plans manner of thinking risk unwilling agents a fear of clashing experts assurance methodologies and they vacillate to make adventures as a substitute they pick to contribute abroad. This capital flight will reduce local individual theory and accordingly decline in money related turn of events. Tornell and Velasco (1992) battled low sponsoring in prosperity of the monetary expert's property rights in light of mental mistreatment, strikes and basic disturbance goals an instable masters system. Asteriou and Simon Price (2001) depicted that GDP increase and political weakness are oppositely associated with one another, showing that easygoing association exists. This paper portrayed that this opposite effect aims impact in two distinct manners. At first, the political instability executing weakness and this questionable atmosphere diminishes singular hypothesis, and consequently it decreases monetary turn of events. Likewise, shakiness modifications the hypothesis and issue demands. Moreover, Jong-a-pin. (2009) shed smooth in the experience that a harming partnership has been settled between political shakiness and monetary as a rule execution and impact for instance Gross homegrown item. The find a few solutions worried of Alisena et al. (1996) depicted that political feebleness is the superior goal of government's inadequacy. Political changeability makes vote based tumult, regularly happening races, intra-party conflicts, and inconsistency framework which drives cash related impact to fall. This socio-political precariousness has an extent of ghastly effects. It not, now makes weakness in political and prison ecological factors in any case in addition upsets markets. A couple of other assessment have moreover detailed political instability unfairly impacts monetary turn of events. Basically, these examinations moreover shed delicate on the association between monetary disaster and frameworks exchange and government changes. Government disaster and framework changes have colossal outcomes on monetary augmentation and there is an association between cash related impact and political instability (Campos and Nugent, 2002; Görmüü and Kabaskal, 2010). Alisena, Ozler and Swgel (1996) battled that political instability makes

weakness of authorities courses of action which can weaken existing as charmingly as new conceivable examiner to pass on their financing in the economy then again they would decide to make adventures their capital in some made sure about universe of governmental issues. Moreover, Cukierman, Edwards, and Tabellini (1992) endeavored to research this goal and effect association in a sudden manner. This examination includes the obligation machine in the circumstance that any current cost contraption remained an obstruction of money related consideration for any organization. The monetary political insecurity and political polarization may similarly constrain the forefront government to move the cost on the coming governments. Alesina et al. (1996) zeroed in on the dependence of per capita pay and political alterability. They depicted this difficulty that political feebleness is the tendency of an experts frustration, and out and out evaluated the inspiration driving low improvement due to politically instable governments. Their assets asserted the economies the detect the proclivity of government changes is more essential all through a period of time the advancement is liberally lower. Ali, Hashmi and Hassan (2013) analyzed both monetary as fittingly as political segments to envision the goals of shaky cash related impact and low revenue in Pakistan. The get some answers concerning depicted that non-monetary segments like debasement, political wobbliness, regularly happening framework changes, influence crisis and political conflicts among events and foundations have been the overwhelming explanation behind horrendous cash related by and large execution and decreasing endeavor. These non-monetary factors made weakness and made the u . s . a . risky. Due to this chance and precariousness the local monetary authorities have eliminated their capital from Pakistan and they put assets into neighboring worldwide territories for better yield. This capital development has end up the inspiration driving dreadful cash related extension in Pakistan. Barro (2013) moreover constrained on contamination free government. He researched that if a country is calm and corruption free than sellers will be animated to make theories and it will propel the monetary advancement of an economy. This will upgrade the living general of the greater part. Likewise, he has additionally raised that a significant calm atmosphere and a dominant part rule government is ideal for the vendors and overall population.

## **6. Materials and Methods**

Although the writer has consulted some articles, research papers and also got awareness and knowledge about political instability in Pakistan. The present research is based on secondary sources. Most of the research is on secondary sources. Several journals, textbooks, unpublished dissertations and some other related publications on the subject are consulted. For the conduct of this study a survey through interview was conducted through unstructured questionnaire from three respondents of different fields.

## **7. Results and Discussion**

In this section of the study the responses of the three respondents (A, B and C) on the following research questions are presented:

### **Q # 1 What are the causes of political instability?**

**Respondent A:** There are many reasons of instability in a state which can be explained as under:

**Under developed countries:**

These countries are in general are those who got independence after the Second World War. They are independent in appearance but are in fact very much dependent of their former colonial lords and trapped in financial burden and cannot payback the loans taken from any International Monetary Organization. Paying back is most difficult because every now and then the price of Dollar fluctuates and price of repay increases. As we all know and the burden increases with it. We all know that without money there is no economic growth, no spending on education or health, infrastructure or industries etc. This means no investments and no job opportunities. Political leaders borrow more to fulfil the needs and again the circle starts. The population of these countries is mostly huge and illiterate and don't know any way out. The leaders take advantage and manipulate them in many ways. They are become corrupt and want to stay in power with the help of their masters abroad to serve their purpose. People are mostly used by foreign powers, to agitate against a ruler when he does not oblige, to pull him out of government. It has been witnessed that the new leader also adopts the same policy for which the other was expelled. This situation has prevailed for seventy plus years now. People want to get rid of these elements. This is why there is political instability in most of under developed countries.

**Respondent B:** Deviation from the Quaid-e-Azam's vision and ideology.

**Respondent C:** It is the tendency of the fall down of government either because of clash or widespread contest among different political parties.

**Q # 2 How does political instability affect on economic growth?**

**Respondent A:** Political instability will always disturb the economic activities. In conflicting situation governments are also insecure and at times short termed and change frequently (example of Pakistan). Foreign trade and also imports and foreign investment is affected and cannot be attracted for years. Even loans are given with more conditions at such times. (example of Pakistan during Afghan war, war against terrorism). Pakistan is still suffering economic damages. International community does not trust. Other countries fill the gap if one country is out of market. All this damages the economic growth.

**Respondent B:** Increase in Unemployment, per capita income, businessmen's investment in foreign countries.

**Respondent C:** Political stability and economic growth are interconnected with each other, in other words political instability badly effect on economic growth.

**Q # 3 How does political instability effect on foreign policy of Pakistan?**

**Respondent A:** Foreign policy is all about carrying out a country's policies in order to achieve her national interests. In the case of a weak economy it becomes more difficult to attain the goals. Your bargaining position becomes weak when your economy is weak. If to go for loans etc you are pressurised on harder terms (like now in IMF). Why countries obey USA or China?? They have economic power, as money means economy and economy means Political power (power politics). Economy is all about to gain political power; in fact it is power.

**Respondent B:** More and more depending on Superpowers and international donor organisations.

**Respondent C:** Political stability is obviously important for making foreign policy.

**Q # 4 How does political instability effect on law and order situation in the country?**

**Respondent A:** In the above mentioned situation the people of a country suffer. The world now has become a global village. Media all over the world has given awareness about rights of people; be it political or social. Media highlights abuses of all sorts from all over and a pressure is built on the governments. Thus law and order situation has become a pressure point to pressurise the corrupt rulers. It creates law and order disturbances and again harms the economy but it is a part of all the above mentioned factors.

**Respondent B:** Corruption, Nepotism, high crime rates.

**Respondent C:** Politically instable government faces more challenges to control law and order situation in the country

**Q # 5 How does political instability effects on financial problems of individuals?**

**Respondent A:** All this obviously leads to a weak economy and creates financial problems like no job opportunities, more taxes low salaries.

**Respondent B:** Poverty, Drastic decrease in individual's income, Psychological diseases resulting into financial burden and also suicide cases.

**Respondent C:** Political instability badly affects standard of living of individual citizen.

**Q # 6 How does political instability affect on development of the country?**

**Respondent A:** All these factors lead to slow growth in all spheres of the country. All problems are interlinked and they impact each other for example:

How can there be good education if no money?

How can there be good health if no health funds?

How can food be provided without money?

How can we have strong defence??

All these problems pile up to problems for the political leadership; and in case of failure there is political instability.

**Respondent B:** Individual's freedom harmed, creating national, provincial, and local disputes and mismanagement, development programmes ceased to be operated, lack of public facilities.

**Respondent C:** No country initiates the development project without having strong political base.

**Q # 7 How does political instability affect on education?**

**Respondent A:** Impact on education is obviously very bad. All these nations are underdeveloped and very few spent due amount on education. It seems it was neglected by purpose to keep the masses illiterate. All know that the key to development is education. It is the key to development, awareness politically awareness and awareness of rights.

**Respondent B:** Lack of information and technology transfer from developed countries, deceleration in industrialisation, migration of qualified professionals, lack of research into the universities.

**Respondent C:** For achieving better education it is quite important that all the political

parties should be on same page.

**Q # 8 What is socio-political instability?**

**Respondent A:** Socio-political issues are problems in the society due to political instability like:

Problems in the community, low income-group's issues and no representation in governments, rights of minorities, human rights violations by authorities and agitations against violence etc. All these issues are a strong reason of instability

**Respondent B:** Socio-political instability in a country affects both the social and political factors - relating to social life of common people, politics, and the government.

**Respondent C:** Socio-political instability is related with the social and political contacts of the people.

**Q # 9 How does political instability affect exchange rates?**

**Respondent A:** When economic growth is disturbed or stopped for some reason, the immediate effect is on the source of income of a state. Since you have to buy from the international market your buying power is decreased due to your weak currency in international money market. When your money is weaker than the dollar, you have to pay more for less items. The exchange rate is not in your favour. Political instability affects all activities related to economic prosperity. The Foreign (exchange) reserves are affected and exchange rates go up and down.

**Respondent B:** Due to insecurity and political chaos in the country, Foreign and local investors will be reluctant to invest their capital.

**Respondent C:** Exchange rate of the country also affected by the base less political system of any country.

**Q # 10 How does political instability affect international business?**

**Respondent A:** Business is also based of strong political/economic relations. In stable times they grow and in trouble time they suffer a lot.

**Respondent B:** Industrial sector will impede the economic growth.

**Respondent C:** Political instability can affect international trade with different levels of the organizations.

**8. Conclusions and Suggestions**

This study concludes that the political instability is harmful for the smooth running of the affairs of the country. The political instability creates uncertainty in the country and as result it badly affects on the economic growth of the country, creates law and order situation in the country, discourages business community for establishing their businesses in that country where political conflict among the political parties remains at extreme level. Political instability also affects exchange rate inadequately.

This study further concluded that political instability also affects education system of the country, foreign policy, financial problems of individuals and also social problems of the people.

In the light of the above conclusions it is suggested that political stability is quite necessary

for the smooth running of the affairs of the government. Instable political system creates lot of problems in the country such as social problems, financial problems, decreases economic growth of the country, creates law and order situation in the country due to which people feel unsafe and insecure, political instability also badly affects on making foreign policy and international business, foreign investors avoid to invest their money in that country where political atmosphere is not adequate. Only the solution of these problems is political stability and maturity in the greater interest of the country.

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