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Political Instability and its Effects on Pakistan's Economy (1999–2022): Causes & Consequences

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ABSTRACT

Pakistan's economy and sovereignty have been impacted due to political instability resulting from upheavals in governance. For the purposes of this research, a qualitative approach is used, which involves the analysis of the contextual and historical data to further study the relationships between the phenomenon of political turmoil and the processes of socio-economic development. Upon reviewing literature and analyzing leading economic indicators, it was found that Pakistan experienced economic regression due to rising political instability during the years 1999 – 2022. Research asserts that the cycle of political stability greatly enhances economic development, but in the case of Pakistan, deep-rooted instability caused by external powers since the country's birth in 1947 has severely dampened sustained economic growth. Besides, the research also points out oligarchy as one of the main obstacles to the fair and just economic growth of the country. This calls attention to the fact that there must be an effective political control to sustain economic growth, and there is a need for other supporting policies and steps in Pakistan to break the condition of political instability.

Keywords: *Dogmatic System, Economic Growth Foreign Interests, Institutional Reforms. Political Instability, Oligarchy*

INTRODUCTION

Political instability has consistently posed a significant challenge for Pakistan, greatly affecting its economic development from 1999 to 2022. Throughout this timeframe, the country experienced frequent government changes, military interventions, and shifts in policy, creating a climate of uncertainty that discouraged investment and stifled sustainable growth. Research by Hussain and Haque (2021) indicates that inconsistent governance and fragile institutional structures worsened macroeconomic vulnerabilities such as inflation, fiscal deficits, and dwindling foreign reserves. The recurring nature of political crises, characterized by corruption scandals, tensions between the civil and military, and a fragmented governance structure, undermined economic planning and diminished investor confidence (Khan & Abbas, 2023). This paper investigates the underlying causes of Pakistan's political instability and its cascading impact on essential economic indicators during this turbulent period.

The economic fallout from political turmoil is notably reflected in Pakistan's sluggish GDP growth, which averaged only 3.9% per year from 2008 to 2022—significantly lower than the 6–7% needed to accommodate its growing workforce (World Bank, 2023). Ongoing political crises, such as the emergency rule of 2007 and the 2022 no-confidence vote against Prime Minister Imran Khan, obstructed long-term reforms in sectors like energy, taxation, and infrastructure (Malik & Yusuf, 2022). Foreign direct investment (FDI) declined by 34% during times of increased instability, as international investors regarded Pakistan as a high-risk venue (State Bank of Pakistan, 2022). This instability also strained Pakistan's relationships with international financial organizations, causing delays in essential bailout agreements from the IMF and exacerbating issues related to debt sustainability (IMF, 2023).

An important yet often overlooked aspect is how political instability sustains structural inequalities. Research conducted by Cheema and Naseer (2023) shows that policy inconsistencies—such as sudden changes in agricultural subsidies and industrial tariffs—have disproportionately impacted low-income families, resulting in an additional 12 million individuals being pushed into poverty between 2018 and 2022. At the same time, the capture of resources by elites during unstable governments further expanded the wealth gap, with the richest 10% of Pakistanis earning 60% of the national income (UNDP, 2023). The decline in public trust in institutions has additionally hindered grassroots economic involvement, as reflected in the stagnation of SME growth and the prevalence of the informal sector (Ahmed & Sheikh, 2023). This paper contends that political instability not only disrupts macroeconomic indicators but also exacerbates socio-economic disparities, forming a vicious cycle of underdevelopment.

Nevertheless, there are still opportunities for reform. Comparative analyses of Bangladesh and Vietnam (Akram & Farooq, 2023) illustrate that political stability, alongside bipartisan agreement on economic priorities, can foster rapid growth even in resource-limited environments. Pakistan's prospects depend on the depoliticization of critical institutions, ensuring consistent policy-making, and utilizing CPEC-driven investments to reduce uncertainty (Hashmi & Butt, 2023). Through examining the relationship between governance failures and economic outcomes, this study seeks to provide practical recommendations for policymakers to break the instability-growth cycle and guide Pakistan toward sustainable development.

Pakistan has experienced almost all types of political controls from democracy-presidential and parliamentary since its existence of the 68-year history of 50% about 34 years has remained under political crises and constitutional impasses. It was also found that the democratic governments had not rule more than 03 years compare to dictatorship ruled more than 11 years by imposed three marshal laws. Surprisingly in the game of exchanging leadership the growth of Pakistan's economy always remains positively high during dictatorship except other substantial hitches. When Musharraf toppled the government, the economy was growing at the rate of 4.2 %. Our study declared that since decades in pakistan political turmoil is pre planned conspiracy by concealed forces which terminates of elected governments and impose dictatorial control. Therefore, the worst form of democracy known as, "Oligarchy" is prevailing in the country. For example, dictatorship after coup in the country abrogate the constitution and country runs without constitution that's why many countries impose economic sacatons. After some period, monocracy establish assemblies and select so-called member and gave it the name of democracy but in reality, it's not democracy but oligarchy. This is the reason that Pakistan still facing a silent war of confrontation between politicians, bureaucracy, military and Judiciary.

Despite having enormous economic resources, the country nonetheless experiences severe economic stagnation because of the domestic political volatility that highly leads to sluggish economic growth and reduce GDP growth rate of Pakistan. It is clear that economic progress is impossible without political stability because the two are interdependent. Thus, it is challenging to construct the powerful political system in the country. A fragile mixed positive and negative effect of political freedom on economic growth was observed while the higher degrees of political instability was associated with lower growth rates of GDP per capita (Aisen, Ari, and Francisco José Veiga 2013). Political stability can be understood better by figuring out the causes of instability in developing countries. While its magnitude possibly be determined from the adaptability of the State and Society.

Political turmoil has a negative impact because society splits due to prevailing of mistrust. This makes people feel dissatisfied and helpless which encourage them to pursue their own interests and lose loyalty to their country. Even the pluralistic societies which consist on multi ethnic, linguistic, tribal, cultural attributes and regional differences generates more seriousity for political stability. Oh, and Reuven (2010), defined all these factors as "the political risk level of a country. Moreover, in the world two party system but here polarized politics acted is also a fact of the economic crisis in Pakistan Sakina (2022). Similarly, a weak political system and government institutions could not resist the political tension in the country. Consequently, the vacuum that is created benefit the both external and internal negative forces.

A politically stable state accommodates diversity and satisfies every segment of society in all dynamics by focusing on one ideology to achieve national goals. In Pakistan political instability is a result of inefficient political parties and a weak political culture which flourish corruption and terrorism. Moreover, along with political unrest, military meddling in the Judiciary and a lack of cooperation between the national government and the provinces also significantly reduced the economic growth of the country. Therefore, the development of nation and state without firm and organized structure of politics is impossible.

Political instability can be defined as an unanticipated prospective shift in the structured government that imposes negative effects on economic performance and changed the socio-economic and geopolitical situation of Pakistan. Political stability has crucial role in solidity, social cohesion and uphold the supremacy of the law in the country. Although being an atomic power the tendency of pakistan government failures due to weak ineffective external and internal policies. The mass civil protests against legitimacy crisis are a cause of economic losses as well.

Leonard Binder identified five problem areas that many states are battling in order to maintain the stability needed for their democratic system. These are the following: "Crisis in identity, legitimacy, penetration, participation, and distribution" Pye, L.(1971).

Even the scholars believe that political stability as a prerequisite for economic prosperity. The Political stability can only be attained if both the ruling party and the opposition put aside their disagreements and collaborate to the national interest rather than their own Bakhtawar R (2021).[1] Further the economic growth will outpace an unstable political administration if there is political stability in the nation.

According to Hudson, M. (1971) maintaining peace, harmony, sustaining constitutional contentment's, maintenance of governmental institutions and having civic order are crucial for the stability of democratic politics.

Inflation and unemployment increase as a result of political instability. Consequently, social discontents, scarcity of decent jobs, limited educational opportunities and improper health facilities promote uncertainty among the frustrated populace which leads to widespread strikes and violent protests against both government policies and employers. According to Hasnain Javed (2022) pointed out that Political

[1] www.pakistantoday.com.pk

gatherings, protests and, recently, the phenomenon of long marches have become a regular practice of politics around the world.

Extended sit-ins and political protests have a negative impact on a nation's economic stability. The 126-day sit-in in Islamabad in 2014, for example, under Imran Khan's leadership, generated a great deal of uncertainty, disrupted commercial operations and trade lines, and allegedly cost between $600 and $700 million (Butt, 2014; World Bank, 2015). Investors perceive higher risks in politically unstable countries, which deters both international and domestic investment.
Political stability is intimately related to economic growth, and frequent instability gives prospective investors the wrong impression. Research indicates that in nations that are undergoing civil unrest, military takeovers, or protracted political crises, foreign direct investment (FDI) decreases (Alesina et al., 1996; IMF, 2022). Investors choose economies with predictable policies and stability, and abrupt political upheavals like military interventions, uprisings, or overthrows of governments frequently result in capital flight and lower economic activity (PWT, 2023).
Further exacerbating economic difficulties in Pakistan, ongoing political unrest, such as the riots that followed Imran Khan's incarceration in 2022–2023 contributed to currency depreciation and a decline in investor confidence (SBP, 2023). The implementation of policies that increase investor trust and political stability are essential for promoting sustainable growth.

Inflation is a one of the main causes of political instability. High rate of inflation leads the country towards uncertainty about future investments Salahuddin and Abdul Ghafoor (2017). The country's economic progress reduced by political instability, which also threatened both domestic and foreign investors and encouraged corruption. Inadequate accountability eroded the basis of democracy and create inflation in the country.

The effect of various types of government changes on development that is known as regime crises. It has robust and significant negative impact on economic expansion. Every additional cabinet change lowers the annual growth rate by 2.39 percentage points. Further to remain in power the current administration modifies previous policies and replaced by new expansionary ones to acquiring new models without compensation that burdenized the state. Most of the long-term policies that are beneficial for better economic success go in vain due to erratic government change. This political upheaval focused the leaders to adopt short-term projects to remain in power and gets extra loans to stabilize its position until the next election.

Most politically destabilized countries are compelled to import food necessities and rely on foreign aid, Pakistan is also one of them. Especially the government’s planning failures during the disasters of the earthquake in 2005 and the heavy flood in 2010 the country became wholly dependent on aid. But nowadays the situation is quite changed because the improper usage and distribution of aid also lost donors' trust to support Pakistan and facing a number of IMF restrictions. Therefore, Pakistan's undervalued economy is due to a number of significant factors, including years of weak economic performance, inadequate foreign investment, sluggish China Pakistan Economic Corridor (CEPC) development, rigorous IMF and FATF constraints, and persistent political turmoil Hasnain (2022). The nation is still stuck in the IMF's financial trap due to political uncertainty and has made 23 times for loans request. The IMF experts identified inequality as a factor in social discontent and political turmoil that is a result of the disparity caused by the unjust post-partition allocation Hasnain (2022). Pakistan's bureaucracy has continued to suffer greatly, which has led to a number of ongoing economic challenges whose effects continue to dominate economic growth and stability.

Corruption and Economic Growth

Corruption is a major problem in many developing countries around the world today. Although largely ignored for many years, recent corporate scandals in the US and Europe have reignited interest in global corruption. Corruption in developing countries is said to result from a number of factors. Virtually all developing countries that have serious corruption problems also have very limited economic freedom and very weak rule of law enforcement. In such countries, corruption represents a regressive taxation that hits the poor hard. Finally, corruption is a dangerous threat to the legitimacy of some developing country governments themselves. It is suggested that urgent new initiatives are needed to deal with the dangers posed by corruption in developing countries Nwabuzor (2005).

The role of corruption in economic growth and provides quantitative estimates of the impact of corruption on growth and the importance of transmission routes. In our usual least-squares estimates, we find that a 1% increase in the level of corruption reduces the growth rate by about 0.72%, or in other words, a one-unit increase in the corruption index reduces the growth rate by 0.545 percentage points. The main channel through which corruption affects economic growth is political instability, which accounts for about 53% of the total impact. We also find that corruption reduces the level of human capital and the share of private investment Mo, Pak Hung (2001).

The period 2012-2018 and re-examination of the link between corruption and economic growth. The cumulative long-term effect of corruption on growth is that real GDP per capita fell by about 17% when the inverse CPI rose by one standard deviation. The impact of corruption on economic growth is particularly pronounced in autocracies and translates into growth by reducing foreign direct investment and increasing inflation Gründler et al (2019).

The impact of corruption on economic growth is highly dependent on a country's institutional framework. Especially in situations where institutions are not well developed, corruption can be conducive to economic growth. The interaction between the institutions themselves matters. This underscores the importance of considering the whole institutional environment when studying corruption, both theoretically and empirically De Vaal et al (2011).

The interaction between corruption, government spending and their impact on macroeconomic taxonomy in Asia. the impact on economic performance using different measures of corruption. Corruption, in turn, affects military spending, but at the same time indirectly and negatively affects a country's economic activity. Corruption and economic growth in Asian and African countries reporting that higher levels of corruption are hampering the economic growth of Asian economies. The policy implications suggest that the link between corruption and economic growth across countries is deteriorating Mumtaz (2021)

Corruption not only has a negative impact on static efficiency, but also on investment and growth. The persistence of corruption related to frequency-dependent equilibria or intertemporal externalities. Corruption is prominent in some of the most recent pronouncements by economic theorists Pranab (2002).

Corruption has become an issue of great political and economic importance in recent years. In developing countries, it assumes that democratization and economic liberalization offer potential ways of tackling the problem. Anti-corruption strategies range from institutional reforms to concerted efforts at the international level Robinson, Mark (1998).

Research Problem

This study attempts to address the research issue: In what manner does political instability impede Pakistan's economic growth? Political conflicts, recurrent governmental transitions, and policy deviations have historically stifled growth in Pakistan's development; however, how precisely does instability affect growth is still a topic of debate. The research aims to identify the causes and impacts of political unrest to explain the stagnation by looking at the history, the deep-rooted political system, the external factors associated with it, and the economic growth constraints which arise due to the instability in the country. The research seeks to enhance our understanding of political instability—how it affects investment, fiscal planning, governance, and in the end, economic growth, which should be sustainable. Through this analysis, the research will inform debates concerning the Pakistan's political economy and the steps required to achieve long-term growth.

Research Questions

1. What has been the impact of political instability on the economic growth of Pakistan throughout its history?

2. In what ways does political instability negatively impact institutional frailty, policy contradictions, and key economic metrics?

3. How do external forces, oligarchs, and other powers actively contribute to economic stagnation and the pervasive political instability of the country?

Research Objectives

1. Evaluate the consequences of political instability on the economy of Pakistan from 1999 to 2022 using qualitative and historical methods.
2. Determine the policy and institutional changes required to optimally reduce the impact of political instability on sustainable economic growth.

Hypothesis

1. Political Instability in Pakistan, oligarchy which directly cause of reduction in economic growth.
2. Embedded foreign interest in the country in the from the political oligarchy system cause of low growth development. Free fragile economic growth.

METHODOLOGY

This study examines the relationship between Pakistan's political turmoil and its economic growth, this study utilizes a qualitative approach because qualitative methods capture relationships within context-specific, complex historical patterns, policies, and sociostructurally realities. The research design is based on documents and includes political-economic analysis, historiography, and thematic analysis to study the relationship between Pakistan's economy and political instability. Reports from the State Bank of Pakistan and the Economic Survey of Pakistan serve as primary sources, alongside international benchmarks such as the World Governance Indicators and the Global Peace Index, supplemented by news articles and political analyses to situate political events within context. Thematic analysis demonstrates relationships between political instability and economic performance indicators: GDP growth, FDI, inflation, and fiscal deficits. These indicators also illustrate trends over time in different political regimes.

Moreover, comparative historiography examines Pakistan's economic performance within different political regimes from 1999 to 2022. Other fundamental sources comprise government policies, political speeches, and expert analyses through critical discourse analysis to expose underlying power relations and institutional deficiencies, enabling a well-rounded perspective of the enduring consequences of strategic economic policies and shifting policies over time.

Significance of the Study

The significance of this study is its analysis regarding how political instability has nullified the economic potential of Pakistan, which is a matter of concern for the future stability and prosperity of the country. With Pakistan going through incessant bouts of political instability, understanding these synergetic factors is crucial for policymakers, economists, and other important stakeholders looking to break this vicious cycle. The research brings into focus the tangible costs of instability in terms of declining investment, economic growth, and institutional vitality, as well as offers perspectives from economies like Bangladesh which are more stable. This study examines the ways political instability leads to economic decline and outlines the institutional reforms and policies necessary to enable sustainable development and poverty alleviation while enhancing competitive standing globally, determining irrationally whether the country can utilize its demographic and economic prospective or remain trapped in a state of crisis.

LITERATURE REVIEW

Theoretical Framework: Political Stability and Economic Growth

This research is grounded in institutional conflict economics (North, 1990; Acemoglu & Robinson, 2012) to assess the impact of political instability on economic growth. By integrating the perspectives of institutional economics, there is a clear understanding of why political governance is necessary–as a minimum, there needs to be property rights, rule of law, and policy stability to support investment and foster long-term development. In case of political instability, weakening of institutions occurs through changes in leadership or policies at an explosive rate, which increases transaction costs and discourages private and foreign investment. Meanwhile, conflict theory elucidates the latent forces of elite power (military, political clans, and oligarchs) that generate self-perpetuating crises of resource divestment from productive economic activity. This set of frameworks helps explain why in the case of Pakistan that has chronic instability with coups, no-confidence motions, and institutional decay, along with slower growth is even more stunted compared to other peers like Bangladesh, which is relatively stable.

Political stability and economic development of the state are not yet fully completed; It is very important. Because economic development can be achieved through political stability. The lack of political stability and economic development in the countries presents negative effects. Political stability in the growth process is significant and important for Turkey's growth. Back to recent history when we look at the world; due to political instability; Turkey paid a heavy social and economic bill that we all know (A. Ali2019).

Low economic growth leads to political instability, which is influenced by the former through a number of channels, including the tax system, government spending, the budget deficit, and inflation, all of which affect investment levels and thus future economic growth rates. In addition, low rates of economic growth create favourable conditions for political instability. Levels of political stability are particularly high in conflict-affected countries, indicating a link between economic and political instability (GT Dalyop 2019).

Political instability is a very serious problem in the modern world. It affects both developing and developed countries. Due to political instability, the country's political environment will become uncertain, which will reduce the level of investments, increase the rate of inflation and public debt, and slow down the speed of the development process and economic growth of the country. Inflation is one of the main causes of political instability. The high inflation rate leads the country to be uncertain about future investments. Political instability and economic progress and the role of public debt and inflation in creating political instability and indirect effects on a country's economic performance (NA Sallahuddin et al, 2017).

Political instability, which in turn contributes to the region's underdevelopment through adverse effects on government revenues, output, savings, investment, growth, income distribution and poverty. The level of economic development plays an important role in promoting or reducing corruption and political instability. Political instability, then governments can take pro-development measures to reduce corruption and/or promote political stability (Nurudeen et al; .2015).

Political instability is the propensity for government collapse, either due to conflict or rampant competition between different political parties. Also, the occurrence of a change of government increases the likelihood of subsequent changes. Political instability tends to be persistent. Economic growth and political stability are closely linked. The political uncertainty associated with an unstable political environment can reduce investment and the pace of economic development. Poor economic performance can lead to government collapse and political unrest. While the peaceful environment that can provide political stability is a desideratum Hussain (2014).

Economic growth is hampered by regime instability, political polarisation, and state repression. Political instability indicators and their impact on economic growth and their link to lower economic growth in terms of private investment, socio-political instability creates an uncertain political-economic environment, increases risks, and reduces investments. It also leads to a higher share of government spending in gross domestic product (GDP), and political uncertainty in Organisation for Economic Co-operation and Development (OECD) countries tends to reduce public investment Aisen et al (2013).

The political and economic system that would be best for the general development of a society, including economic growth. An unstable political system can slow investment or accelerate inflation, which consequently reduces the rate of GDP growth and freedom, democracy, and economic growth H Gurgul, (2013).

Political protest tends to disrupt productive activities, thereby negatively affecting economic growth. Political stability may instead have positive effects on economic growth. political instability and of financial development, as well as short- and long-term considerations the short-run effect on economic growth of both informal instability and financial development is negative NF Campos et al (2012).

Economic growth is the steady development of policies that improve an economy's productive and fertile capacity in ways that lead to rising levels of national output and income. Economic growth is the increase in the number of goods and services produced by an economy over time. Economic growth is usually associated with growth in production potential, i.e. production at full employment. Economic growth is the most important basis for improving literacy levels, improving technology and increasing the capital stock Sial, Maqbool et al (2010).

The instability of the political regime has a robust and significantly negative impact on economic growth. Economic growth and instability within countries have causal effects on political violence, which in turn directly affect economic development R Jong-A-Pin (2009).

Case Studies on Political Instability and Economic Impact

The economic breakdown during President Pervez Musharraf's resignation in 2008 was a political crisis for Pakistan. It is noted that in 2008, the Karachi Stock Exchange (KSE-100) faced a staggering decline of over 35%. This was directly linked to the rising political tensions in the country (SBP, 2009). Along with this, there was a huge decline in Foreign Direct Investments (FDI) in 2009, which fell to 2.2billiondollarsfrom2.2billiondollarsfrom5.4 billion dollars in 2007 (World Bank, 2010). Additionally, the Inflation rate surged 24.4% as a result of policy paralysis stemming from the government (IMF 2009). There was also a shift to a civilian setup, however, the economic reforms were put on hold which resulted in weakening fiscal deficits.

2022 No-Confidence Motion: Market Reactions & IMF Program Disruptions

Economic stability wasated by the no-confidence vote for Prime Minister Imran Khan in April 2022. Following this political shift, there was a staggering decline of 15% and 9% in Pakistani Rupees (PKR) and the stock market respectively (SBP, 2022, Bloomberg, 2022). Apart from this, the political shift brought the IMF's Extended Fund Facility (EFF) to a standstill which postponed the release of a crucial $1.17 billion foreign reserve aid (IMF, 2022). As a result, Pakistan exacerbated its balance of payments crisis. Furthermore, the lack of funding due to this politically-induced stagnation in yielding foreign investments led to a lack of trust as credit rating agencies Mumbai downgraded clarded Pakistan's sovereign rating (Moody's, 2022).

Comparative Insight: Bangladesh's Relative Stability vs. Pakistan's Decline

Pakistan has tackled an array of political issues, which is clearly evident in its decline. Meanwhile, Bangladesh seems to perform exceptionally well economically while maintaining a greater political and social balance. Bangladesh has witnessed a substantial increase in its gdp growth, averaging 6.4% from 2010-2022, surpassing Pakistan by an unimpressive 3.9% as reported by World Bank in 2023. Fewer military interventions, better governance, and the consistent policymaking of the country serve as reasons behind this remarkable achievement. Unlike most Pakistanis, Bangladesh was politically stable during the aforementioned time, which marks the absence of major IMF bailouts, highlighting the stronger economic resilience of the country.

Economic Indicators (1999–2022)

Table 1: GDP Growth Rate, FDI, and Inflation Trends

Year	GDP Growth (%)	FDI (USD Billion)	Inflation (CPI, %)	Key Economic Event
1999	4.2	0.47	5.7	Military coup (Musharraf takes power)
2000	3.9	0.48	4.4	Economic sanctions post-coup
2001	2.0	0.38	3.1	9/11 aftermath; U.S. aid begins
2002	3.1	0.82	3.3	Economic recovery starts
2003	4.7	0.95	3.9	Privatization reforms
2004	7.5	1.52	7.4	High growth phase

2005	7.7	3.52	9.3	Post-earthquake economic strain
2006	6.1	4.20	7.9	FDI peaks
2007	5.5	5.15	7.8	Political unrest (Lawyers' Movement)
2008	1.7	3.72	20.3	Global financial crisis, PPP government takes over
2009	3.1	2.21	13.6	IMF bailout package
2010	2.6	2.02	13.9	Floods devastate economy
2011	3.6	1.32	11.9	Energy crisis worsens
2012	3.8	0.86	9.7	Political instability before elections
2013	3.7	1.33	7.4	PML-N government elected
2014	4.1	1.63	7.2	PTI protests disrupt economy
2015	4.0	1.19	4.5	CPEC agreements signed
2016	4.6	2.07	2.9	Infrastructure projects begin
2017	5.4	2.41	4.2	Nawaz Sharif disqualified
2018	5.8	1.43	5.1	PTI comes to power
2019	3.1	1.34	10.6	IMF program implemented
2020	-0.9	1.56	9.7	COVID-19 pandemic
2021	5.7	1.90	8.9	Post-pandemic recovery
2022	6.0	1.46	12.2	Political crisis (No-confidence against Imran Khan)

Sources: State Bank of Pakistan (SBP), Pakistan Economic Survey, World Bank

Timeline of Major Political Events (1999–2022)

Table 2: Key Political Events & Economic Consequences

Year	Political Event	Economic Impact
1999	Military coup by Gen. Pervez Musharraf	Economic sanctions, slow growth
2001	Pakistan joins U.S. "War on Terror"	U.S. aid inflows, economic relief
2007	Musharraf declares emergency; Benazir Bhutto assassinated	FDI drops, political uncertainty
2008	Musharraf resigns; PPP forms government	Global financial crisis hits Pakistan
2013	PML-N wins elections (Nawaz Sharif becomes PM)	CPEC announced, FDI rises
2017	Nawaz Sharif disqualified in Panama Papers case	Political instability, economic slowdown
2018	PTI wins elections (Imran Khan becomes PM)	New reforms, but IMF bailout needed
2020	COVID-19 pandemic	Economic contraction, high inflation
2022	No-confidence motion ousts Imran Khan	Rupee crashes, IMF negotiations stall

Research Gap

Although scholars have studied extensively Pakistan's political economy, there is still a gap in analyzing how political instability systematically affects the economy from 1999 to 2022. Most studies tend to address specific issues, whether it is a fiscal deficit, foreign indebtedness, or governance failure. They systematically integrate political shocks, such as military rule, regime change, and policies which undermine the economy, often neglecting the long-term investment planning and institutional building needed. Very few have attempted to use time-series econometric models to estimate the total cost of instability on GDP growth, inflation, and public debt while considering external shocks like the War on Terror, the 2008 financial crisis, or even COVID-19. Moreover, there is limited research done with respect to sectoral vulnerabilities (like agriculture and manufacturing) or the increased regional disparities that come with instability. This research tries to close these gaps with the goal of bringing together the political and economic data while applying rigorous empirical frameworks and formulating evidence-based policy recommendations aimed at reducing the economic impact of instability.

RESULTS AND DISCUSSION

Our results show there is still a consistent negative relationship between the political instability of Pakistan and its economic growth because of frequent government changes, civil riots, and the structural weakness of the country. The most severe forms of political strife, like crises that erupted in 2007 to 2008 and 2022 to 2023, corresponded with significant drops in GDP growth, declines in foreign direct investment (FDI), and an increase in fiscal deficits. Looking at the data from different eras, we observe that politically stable, albeit dictatorial periods (between 2002 to 2007 and 2013 to 2017) was marked by bolstering economic figures suggesting that with lack of policy, continuous institutional framework is necessary for achieving sustainable growth.

Thematic analysis identifies dominant issues like Corruption, inconsistent economic policies, and security issues as drivers of instability. Critical discourse analysis of political rhetoric and policy documents further reveals deep gaps between promises and actual reforms, reinforcing structural paralysis. Global and local indices such as Global Peace Index rankings benchmark Pakistan’s worsening governance vacuum, deepening investor cynicism. Both internal and external shocks to the economy are primarily attributed to international factors like global oil prices, but this study affirms that domestic political turmoil is the overriding factor that constrains long-term development. These findings resonate with theories from political economy which argue that feeble governance and volatile regimes stifle capital inflow and productive investment. From this point, reforming institutions, ensuring coherent policies, and strengthening democratic oversight are vital to soften these problems and promote economic growth.

CONCLUSION

The findings from the research showcase that Pakistan's political disorder and instability should be considered as the country's ongoing crisis, which leads to damage in multi guidelines, visible through fostered policy gaps, dead investment flows, and weakened foundational framework. In the qualitative analysis, we note that the political crises from 1999 to 2022 created an atmosphere of uncertainty which adversely affected GDP growth, foreign direct investment, and fiscal management. The most harmful has been the pattern of external forces and government changes undermining multi-year plans in national economy development. While there is considerable literature on political economy and this aligns with broader research, the study also points out its shortcomings based on qualitative offering. The study formulated for Pakistan would be more complete if accompanied by some quantitative analysis to measure the strengths and weaknesses of these claimed correlations. Suggestions for further research include designing econometric models that will quantify the economic damage incurred due to specific events of instability, while some comparative analysis with other developing economies can provide useful perspectives on institutional change. Such studies could assist in devising more specific options to address political instability and economic stagnation in Pakistan and contribute to their sustainable development

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