

**Political Instability and Lessons for Pakistan: Case Study  
of 2014 PTI Sit in/Protests**

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**Abstract.** It's a short allegory to present the case for the importance of Political stability in the economic progress of a country. The Arab spring protests were seen as strengthening democracy in the Arab world. Notwithstanding the surprise Arab spring brought in shape of further destabilizing Middle East, a similar environment of unrest and protests in a practicing democracy like Pakistan capture same dynamics of uncertainty that dampen economic destabilization. The paper briefly covers PTI's sit in protests in year 2014 to make a case for how political instability stifled economic progress in Pakistan though momentarily.

**Keywords.** Political economy, Pakistan economy.

**JEL.** D72, F59, P16.

## 1. Introduction

The political stability is condition for the nation building and in return it is a process compulsory for the development of a nation. In most of developing countries the governments are not stable. A new government comes into the power overnight; either through coup or army takes over. The new government introduces a new system of rules for the operation of business which cause frustration and anger among the people. Political instability now becomes a serious problem especially in developing countries. It is creating enormous difficulties and delaying the development of these countries. Political stability plays an important role in keeping society united and in maintaining legitimacy within the state. It is an essential for the economic development, social integration, and supremacy of law in a state. The stability of political system has direct effects on the procedures of nation and state building. These both require stable political systems for their growth and successful. The development of nation and state without firm and organized system of politics is not possible. So Political instability can be defined at least three ways, first approach is as, the propensity for regime or government change, second is to focus on the incidence of political

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disorder or violence in a society, such as killings, third approach focuses on economic growth affect by instability.

Pakistan has spent 34 out of its 68 years, or half its life, in internal political instability as regime instability, political emergencies and constitutional deadlocks. Long-term instability in Pakistan has been significantly higher than in East Asia and post-Partition India. Lack of mature leadership, confrontation between the main organs of the state, poor relations between the center and the provinces, extensive corruption, distrust among the politicians, strong bureaucracy and crisis of governance are the immediate threats to democracy in Pakistan.

The political instability is directly affected economic growth. How does it affect economic growth and why this is important in developing countries like Pakistan is discussed in this paper.

Foreign investors do not invest in countries where there is civil war, coups, army take over etc. The lack of interest by the foreign investors in politically destabilized countries by giving access to the productive markets hamper the economic progress and thus the country is more likely to rely on foreign aid. For example, the improper use of aid on the huge disasters like earth quake in 2005 and on the wake of flood in 2010 has lost the trust of donors to support Pakistan sufficiently even in most difficult times. Political instability also limits internal investment. Generally they avoid investing in their own country for fear of nationalization of their project, large scale interference of militant, trade union and harsh attitude of various government agencies. The well off people including the politicians prefer to take their money outside the country or want to invest out of their own country. The developing countries are deprived of investment funds which badly effect economic growth.

The spectra of corruption are growing stronger in absence of true accountability. Accountability which aims at strengthening the roots of democracy is lacking in our country. It is a sort of deluge which is weakening the democracy to its roots and posing a great threat. Weak institutions and feudal systems are also a major part of instability. A rupee, if properly invested, can bring 10pc returns but if only half rupee is invested and the other half is pocketed for personal use, then we will end up with negative returns and, ultimately, a faltering economy.

## **2. Case Study: How 100 Days of Dharna Create Political Instability.**

### *2.1. Political background*

Following massive allegations of rigging in the 2013 general election, former cricketer-turned-politician Imran Khan's political party Pakistan Tehreek-e-Insaf (PTI) hesitantly accepted the election results demanding a investigation into electoral rigging in 4 constituencies as a litmus test for the rest of the election process. Government inaction in this regard led the PTI to organize several jalsas throughout Punjab, which is Prime Minister Nawaz Sharif's political headlock. In August 2014, Imran Khan stated that for 14 months, the Pakistan Tehreek-e-Insaf had tried to bring those who were responsible for rigging to justice, all in a legal manner through state institutions. The PTI produced a 2100-page white paper showing evidence of rigging. Despite this, no action was taken. Imran Khan argued that, normally, in any democracy, the Supreme Court of that nation would have nullified the results and called for fresh elections. Even after the evidence was presented and leaks by Afzal Khan, former additional secretary of the election commission, the Supreme Court also took no action. However, Supreme Court sought for evidence which was necessary as per law to reverse all seats which was sought in a petition. The petitioner said he had no proof beyond the allegations which were leveled by Afzal Khan. These were proved wrong. The petition was dismissed as per the law of Pakistan which requires proof beyond reasonable doubt.

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Throughout these jalsas, Khan expressed his disappointment at the lack of initiative by the country's judicial system and the adverse behavior of the Election Commission toward his cases against election rigging. On 22 April 2014, PTI officially announced the start of their anti-rigging movement.

### *2.2. Protest rallies*

*Phase 1 - Islamabad jalsa:* On 11 May (when year passed) From all Pakistan people gathered in Islamabad to support Imran Khan where Khan demanded 4 constituency investigation from government and until that decided to protest in-front of election commission offices every Friday. Khan also blamed Geo News to be Part of rigging and announced to prove what he said in Faisalabad Jalsa.

*Phase 2 - Faisalabad jalsa:* In Faisalabad, a greater number of people gathered in his jalsa where demand of Imran intensified and he questioned the victory speech of Nawaz Sharif and decided to intensify his movement to increase pressure of government and announced Sialkot Jalsa.

*Phase 3 - Sialkot jalsa:* In the Sialkot Jalsa, Khan addressed a huge crowd and criticized the role of the judiciary in the election. In his usual tone, he also commented on the outcomes of the result.

*Phase 4 - Bahawalpur jalsa:* On 27 June 2014, Khan managed to gather a massive crowd at the Bahawalpur Stadium where he announced plans for the Azadi March, calling the protest march the final phase of his movement against electoral fraud in the 2013 general election. He also gave government a margin of one month (because of the holy month of Ramadan) to open an investigation into four constituencies (as marked by his four jalsas) and presented further demands.

### *2.3. Informal PTI–PAT union*

As was expected, Imran Khan and Muhammad Tahir-ul-Qadri, both neither fully merged their protest marches nor fully rejected to support each other. On 10 August 2014, Qadri formally announced that his party's political march, the Inqilab March, would precede parallel with PTI's Azadi march. Both marches were organized to take different routes, albeit closely mirroring each other. However, as time went by, it became quite apparent that the two parties had similar objectives yet different aims and strategies.

The announcement of two parallel marches by parties in the opposition gave rise to speculation that a coalition between PTI and PAT was possible. The chiefs of the two parties never clearly stipulated a formal coalition but an informal agreement to support each other was achieved. On 11 August 2014, Qadri and Khan both clarified media persons that there will be two parallel marches, informally allied together for the dismissal of the government, yet without any combined forward strategy.

### *2.4. Goals and demands*

Imran Khan and PTI had consistently asked the government to constitute tribunals and committees to investigate electoral fraud in the four constituencies since the 2013 election results were announced. In making these demands, Khan unwillingly accepted the election results, though being consistently ridiculed by the PML-N government and ministers.

A year on, the PML-N government made no headway or momentum in this regard and remained "hesitant in investigating the alleged rigging". On the other hand, Khan had consistently presented proofs of electoral fraud in various constituencies. The PTI chief had also named the caretaker Punjab chief minister Najam Sethi and former chief justice Iftikhar Muhammad Chaudhry in facilitating fraud on the order of PML-N in the past elections.

#### *2.4.1. Initial demands*

Because of the lack of government initiative in opening investigation into allegations of electoral fraud, Khan gave the PML-N government a month to fulfill

his demand. He said that he had "knocked every door to find justice" but in vain. In PTI's Bahawalpur jalsa, the party chief warned if his ultimatum was not met within a month, a million of his followers would march onto the parliament; Khan's primary four demands included investigations into: i) How Nawaz Sharif declared victory on the 11 May elections beforehand; ii) The role of former chief justice Iftikhar Chaudhary in the elections; iii) The roles played by the caretaker government, in particular Najam Sethi; iv) Electoral fraud in 90 constituencies.

### *2.4.2. Generalized charter of demands*

Over the course of the next month, Khan's demand took on a more generalized structure and included the following broad demands: i) A transparent investigation into allegations of electoral fraud in 2013 elections; ii) Judicial inquiries into the roles of persons named in electoral fraud; iii) Reformation of the electoral process (e.g., introduction of electronic voting machines, etc.) and the Election Commission.

### *2.4.3. Ultimate demands*

After Khan presented his demands, the government further ridiculed him and showed no concern in this regard. This only forced Khan to present the following ultimate demands alongside his earlier demands: i) Resignation of Prime Minister Nawaz Sharif and his brother and Punjab chief minister Shahbaz Sharif; ii) Dissolution and abolition of the Sharif government, replaced with a caretaker government; iii) Call for snap elections after a caretaker government has been set up; iv) Still, there are expected chances of talks between Khan and the government in which much of the PTI's demands, excluding re-election and replacing the Nawaz government, can be accepted in the near future

The Azadi March was due to being at Khan's residence at Zaman Park in Lahore at 10 am, but was delayed until 12:30 pm when the PTI chairman addressed the rallying crowds outside his house. Moments later, the rally began its procession towards Islamabad. Meanwhile, Khyber Pakhtunkhwa chief minister Pervez Khattak left with a convoy of supporters from Peshawar towards Islamabad. Khan's rally inched its way through the city of Lahore at a snail's pace, via the Mall Road, Faisal Chowk, Data Darbar, Bhatti Chowk, Azadi Chowk and Minar-e-Pakistan, Niazi Chowk, Ravi Bridge and finally Shahdaran to get onto the Grand Trunk Road leading to Islamabad. The delay resulted after the milestone destinations of Data Darbar, Bhatti Chowk, Azadi Chowk and Niazi Chowk were included in the rally route at a later time, after the protest march had already begun. At around 12:10 pm, PTI activists were pelted with stones by PML-N workers while passing through an area where a PML-N party office was located. The PTI convoy was on its way to exit Gujranwala at the Sheranwala Bridge injuring at least 4 PTI activists. The ensuing riot was controlled by local police but no PML-N worker was injured or arrested. Opposition parties PPP and JI condemned the PML-N miscreants identified in live footage of the clash while PML-Q leaders Chaudhry Shujaat Hussain and Chaudhry Pervaiz Elahi held Prime Minister Nawaz Sharif and Punjab chief minister Shahbaz Sharif responsible for the attack on the PTI cavalcade.

16 August, the Azadi march reached its destination at the Zero Point in Islamabad under rainy conditions. The PTI leadership officiate their Islamabad dharna where Shaikh Rasheed Ahmad addressed the rallying crowd of protesters. Later, Khyber Pakhtunkhwa chief minister Pervez Khattak took to the stage to confirm the support of the "Pakhtoon nation" for Khan's march. Khattak's speech was followed by former foreign minister Shah Mehmood Qureshi's speech and the Javed Hashmi who called for the resignation of both Nawaz Sharif and Shahbaz Sharif from the federal and provincial Punjab government respectively. Imran Khan took to the stage under heavy rain where he stated that his party's protests will continue until "Nawaz Sharif resigns and announces new elections". Khan ended his speech by announcing to speak again later the same day. Khan left for his Bani Gala residence after his speech and it was later reported that the PTI chairman had to leave the venue because of ill health to rest for the night at his residence.

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Many PTI protesters took this stance of leaving them negatively. Soon after his departure, many PTI followers also made their way back to their homes and the number of protesters fell sharply throughout the night. The PML-N government found an opportunity to capitalise on Khan's lack of concern for his workers "on streets faced by torrential rains all throughout the night".

The PML-N further reminds Imran Khan that the Khyber Pakhtunkhwa chief minister Pervez Khattak should not have abandoned the people of his province where 18 people had died from incidents relating to heavy rains and downpour in Peshawar.

On 17 August, Imran Khan announced that he would be delivering "the defining speech of his career". In his speech, Khan asks his followers to "kick off a civil disobedience campaign" and not pay taxes or utility bills. Khan gave the government a deadline of two days to fulfil his demands. Minister of State for Water and Power, Abid Sher Ali, tweeted immediately that "the law is clear" and if people don't pay utility bills, they would not be provided with electricity. After that PTI vice-president Shah Mehmood Qureshi addressed the media after a meeting of the PTI core committee and said that all PTI lawmakers have decided to resign from the National Assembly. He said that the party has decided to withdraw its representatives from the Punjab and Sindh assemblies as well. PTI chairman Imran Khan announced that "he himself lead the march towards 'Red Zone' the following day. The Red Zone in Islamabad houses the diplomatic enclave and embassies, parliament, government offices and the presidential and prime ministerial palaces, which had been protected by police and blocked off with shipping containers. The number of protestors is in several hundred thousand. In this MQM chief Altaf Hussain requested Imran Khan to reconsider his decision to enter the Red Zone. He feared his party's march towards the parliament may lead to "confrontation" and "bloodshed".

On 19 August, both the rallies of PTI and PAT started moving toward the Red Zone. PTI workers move with cranes towards shipping containers placed at the edge of the barricaded zone, while emergency is imposed in PIMS and Poly Clinic Hospital. As the party workers removed blockades, the PML-N government advises security forces not to engage with the protesters. Federal information minister Pervez Rashid said, "We will not use force. They have brought innocent children with them." After the time passed Thousands of police forces were seen getting ready to initiate a crackdown on thousands of protestors in front of the Parliament building. MQM leader Altaf Hussain also warned of possible violence across the country and a possible coup d'état in the country. Imran Khan announced that the protest demonstration would continue until the resignation of PM. One day left on Allama Muhammad Tahir-ul-Qadri's 48-hour ultimatum to the government. Clashes erupted as protesters tried to march toward the Prime Minister's house. Muhammad Tahir-ul-Qadri claimed that the protest would remain peaceful, but protesters tried to force their way in. Police stepped back initially but police began to throw tear gas after some time in their way. More than 500, including women, children and policemen, were injured. People in this rage broke the fence of parliament house and entered there, but on order of Pakistan army people remained outside the building. The clashes continued between protestors and police. The protestors entered Pakistan Secretariat and damaged some vehicles. They also broke gates and entered the headquarters of national television PTV and ransacked it. PTV briefly went off air, although PTI denied its involvement in it. The Supreme Court of Pakistan offered mediation after fifth round of talks failed last week. Also, Nawaz Sharif met Pakistan Army chief Raheel Sharif. A meeting of army chiefs was held at Rawalpindi to discuss the situation. Dozens of PTI, PAT workers have been arrested in connection with PTV and Parliament attacks. Court sentenced more than 4100 PTI/PAT workers to jail on 14 days judicial remand among which 3187 were PTI workers. Violent clashes erupted in other cities after Islamabad showdown, with as many as 13 protesters dead at the hands of the police, and several policemen injured. The army issued a statement, which called

for restraints from the police force, three senior policemen and one senior policewoman resigned from the Islamabad and Punjab police, alleging police brutality. Since then, the protesters have got closer to the PM house and pressure has been mounted on Sharif after it appeared that the police, especially the Islamabad police, was openly rebelling, defying, and protesting against government orders. On Friday when Imran Khan's party was celebrating one month of Azadi Dharna, Khan announced the extension of protests to other cities for which Karachi was chosen as its first destination, extending on to Lahore and Multan. This extension was successful to pressurize government which the PTI wanted. Clashes lead to violence from law enforcement authorities.. On 17 December 2014, Imran Khan announced to cancel the protest in response to terrorist attack on Army Public School in Peshawar, saying; "Due to the situation in the country right now, we have decided to end our protests, decision had been made in light of the terrorist attack on a school in Peshawar" and said that "the country needed national unity".

### *2.5. Government Reaction and Political instability:*

Following Khan's announcement of a protest march, the government announced that the PTI chief's demand as "undemocratic" and a ploy to "derail democracy". Awami National Party (ANP) provincial general secretary and former provincial minister Mian Iftikhar Hussain expressed concern that Khan's long march could derail democracy and if the democratic system is eventually derailed, the PTI chairman would be held responsible.

#### *2.5.1. Operation Zarb-e-Azb and security concerns*

PML-N leader and federal minister for planning and development, Ahsan Iqbal, called Khan's Azadi March anarchy in disguise and criticised Khan for launching an unnecessary protest movement when the country was at war with the terrorists in North Waziristan in the Operation Zarb-e-Azb. Khan's claim to gather a million protesters in Islamabad posed a threat to the security apparatus in the nation's capital in the eyes of the government. The PML-N government feared that such huge crowds in Islamabad could lead to severe conflicts and even terrorist attacks. The government also issued plans for the Islamabad police to stop any protesters from entering the city while the Independence Day celebrations were underway thwarting any efforts of reconciliation with PTI.

#### *2.5.2. Closure of educational institutions in Islamabad*

Educational institutions in Islamabad were due to start educational activities after summer holidays on 11 August 2014 but had to remain closed until 24 August 2014; the dates were later changed to 31 August 2014 to accommodate the ongoing protests, eventually leading to losses in the education sector. Most of the government schools are actually closed as 30,000 AJK and Punjab police are provided accommodation in public schools, amidst fears that they will be used for a crackdown against the sit-in participants.

#### *2.5.3. Economic losses to country*

By 31 August, the government claimed economic losses directly resulting from the sit in were between Rs500 million and Rs800 million. On 26 September, an adviser to the PM claimed the losses had run up to \$6 billion (Rs610 billion). Traders from across the country have expressed concern over Pakistan Tehreek-e-Insaf's (PTI)'s "Azadi March" and subsequent sit-in on August 14, saying it would adversely affect businesses nationwide. The business and trade bodies of different cities of Pakistan, including Islamabad, Peshawar, Lahore and Rawalpindi said that the march would hinder economic progress in general and the businesses in the cities in particular.

Acting Islamabad Chamber of Commerce and Industry (ICCI) president Mirza Mohamamd Ali said that the "Azadi March" of PTI would prove to be destructive not only for the traders and businessmen of the federal capital but also for the country's economy. "The country has been facing different challenges, including terrorism, extremism and energy. It cannot afford such activities that would cause political instability that will adversely affect the economy. I urge all the political

leaders to show maturity and give priority to national interests over their personal interests,”

Khyber Pakhtunkhwa Chamber of Commerce and Industry President Zahidullah Shinwari urged the political parties to show patience and tolerance for each other and resolve the issues through negotiations. He said the provincial economy was facing loss of billions of rupees daily due to rise in political temperature for the last couple of weeks and added that traders and businessmen have stopped all their activities like import of the machinery, export etc and following the policy of wait and see till August 14. “We are worst the victims of the current political instability in the country,” he said and added that economic activity has become almost stagnant as 70 percent capital flight has reported due to unrest and terrorism. He said KPCCI was a non-political entity and wanted only political harmony so that this province could flourish and added that rise in political temperature has cast extremely negative impact on the overall economic process

### *2.6. A severe blow to Pakistan's economy*

At a time when political turmoil had already caused a colossal economic loss, the cancellation of Chinese President Xi Jinping's visit dealt a severe blow to Pakistan's economy, as he was bringing along a record investment of 34 billion dollars, largely in the energy sector.

The postponement of the visit was not only a huge embarrassment for Pakistan but had also raised serious questions about the intentions of protest leaders Imran Khan and Tahir-ul-Qadri. Pakistan had become a victim of its own politicians. The country had been through a serious crisis due to Taliban-sponsored terrorism but at no point have the visits of foreign dignitaries been cancelled. PTI and PAT had turned out to be more harmful.

Imran Khan already made his agenda public. Earlier not only did he greet with jubilation the news of the cancellation of the IMF delegation's visit, he also warned the international lending agency against giving money to the present government. He said any such agreement with the Nawaz Sharif government would be counter-productive, as loans would not be returned if his party came to power. Although his call for civil disobedience came under sharp criticism, the PTI touted it to capture international attention. His advice to party supporters abroad to send money through hundi instead of official banking channels was also an attempt to weaken Pakistan economically.

Mr Xi Jinping planned to also visit India and Sri Lanka but he wanted to start his tour from Pakistan. The Chinese prime minister had conveyed his concerns about the political turmoil in Pakistan to the visiting PPP co-chairman Asif Zardari in Beijing, urging him use his good offices to resolve the dispute. Zardari tried his best but failed.

The Chinese President was the third head of state, after the Sri Lankan and Maldives heads of state, which had to cancel their visits due to the dharnas. The IMF team too had cancelled its visit for the same reason.

## **3. Do Literature Support Our Case**

The downfall of political system has awakened the interest amongst researchers and induced them to take a close look at the effect of political uncertainty on the economic progress and GDP growth rate. Various studies have examined the existence of inverse relationship between political volatility and economic performance. Hibbs (1977) addressed some political issues which were responsible for poor economic activities. Later on, Gupta (1987) discussed the socio-psychological factors which cause the political instability. He also mentioned the effect of such psychological factors on the economic trend. Adverse economic policies harm and destroy the economic growth. Politicians support and promote those policies which are in their own benefits.

Moreover, Alesina & Perotti (1996) commented that as for as private investment is concerned, political instability leads to low growth; it creates risk and

uncertainty in the country which results in reduced volume of investment. When the size of investment falls ultimately, the output level also decreases which reduces the size of employment, low income, high prices, stimulates the inflation both of capital and goods markets. Owing to this reduction in domestic productivity the pressure shifts towards imports more and this might shorten the size of foreign exchange.

The study of Alisena *et al.* (1996) depicted that political instability is the major cause of government's weakness. Political variability creates democratic unrest, frequent elections, intra-party conflicts, and inconsistency regime which lead economic growth to fall.

This socio-political instability has various adverse effects. It not only creates uncertainty in political and legal environment but also disrupts markets. Several other studies have also documented political instability adversely affects economic growth. Similarly, these studies also shed light on the relationship between economic crisis and regimes change and government changes. Government crisis and regime changes have significant effects on economic growth and there is a relationship between economic growth and political instability (Campos & Nugent, 2002; Pei & Adesnik, 2010; Görmüş & Kabaskal, 2010).

Porta *et al.* (2007) founded that the informal political regime inversely affect economy in general and consequently growth. Whereas, the formal instability indirectly influences the rate of economic growth. This study increases the conditional variance flexibility specifications to determine the power of growth in the volatility pattern.

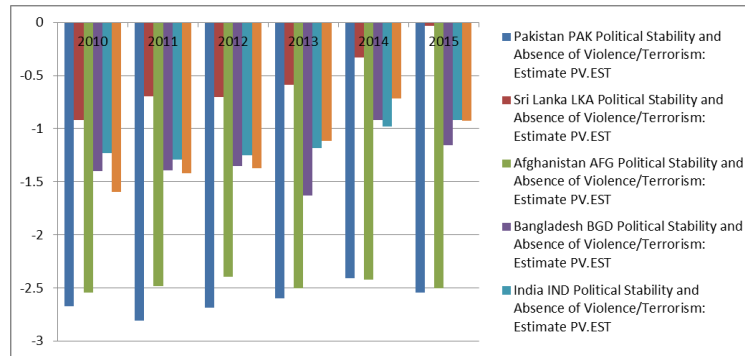
Ali, Hashmi & Hassan (2013) investigated both economic as well as political factors to predict the reasons of volatile economic growth and low investment in Pakistan. The study described that non-economic factors like corruption, political instability, frequent regime changes, energy crisis and political conflicts among parties and institutions have been the major cause of poor economic performance and lower investment. These non-economic factors created uncertainty and made the country risky. Due to this risk and volatility the domestic investors have taken their capital away from Pakistan and they invested in neighboring countries for better return. This capital movement has become the reason of poor economic growth in Pakistan.

Barro (2013) also stressed on corruption free government. He explored that if a country is peaceful and corruption free than investors will be encouraged to invest and it will promote the economic growth of an economy. This will increase the living standard of the masses. Moreover, he was also pointed out that such a peaceful environment and a democratic government is favorable for the investors and general public.

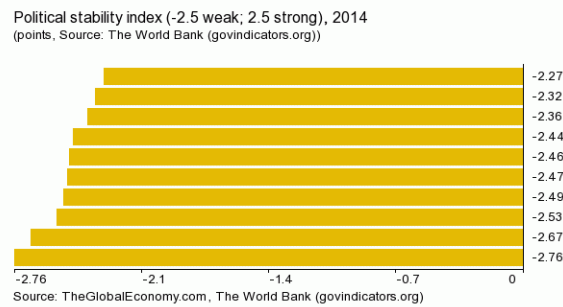
#### 4. What Data say about Politically Unstable Economies

The data is selected from World development of indicator and the World Bank. The aim of this section is to analyze the effect of political instability in Pakistan. Here we run a comparison of Pakistan with other South Asian countries. We take 5 South Asian countries from the time period 2010 to 2015. As terrorism damage the national structure, it has negative effect on political stability. Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.





Here we capture that political instability in Pakistan is greater than any South Asian country. In Sri Lanka the absence of violence and terrorism is constantly increasing because politically they are stable then other countries with less absence of violence/Terrorism. Political stability country data from around the world: The average for 2014 was -0.04 points. The highest value was in Liechtenstein: 1.54 points and the lowest value was in Syria: -2.76 points. Below is a chart for 10 lowest value countries:



**Notes:** 1. DR Congo; 2. Libya; 3. Sudan; 4. Pakistan; 5. Afghanistan; 6. Iraq; 7. Somalia; 8. Yemen; 9. C.A. Republic; 10. Syria.

The index is a composite measure as it is based on several other indexes from multiple sources including the Economist Intelligence Unit, the World Economic Forum, and the Political Risk Services, among others. The underlying indexes reflect the likelihood of a disorderly transfer of government power, armed conflict, violent demonstrations, social unrest, international tensions, terrorism, as well as ethnic, religious or regional conflicts. So it is clear that terrorism, strikes and regime have negative effect on economic growth. Economic growth and political stability are deeply interconnected. On the one hand, the uncertainty associated with an unstable political environment may reduce investment and the speed of economic development. On the other hand, poor economy may lead to government collapse and political unrest. For all the terrorism and strikes the official estimates of loss in economy is about 43.0 billion \$ in 2005-2010.

### Official Estimate Of Loss To Economy

Years	Rs. Billion			Total in US\$ billion
	Direct Costs	Indirect Costs	Total	
2004-05	67	192	259	4.4
2005-06	78	223	301	5.0
2006-07	83	278	361	6.0
2007-08	109	376	484	7.7
2008-09	114	564	678	8.6
2009-10*	262	707	969	11.5
Cumulative 2005-10	712	2340	3052	43.0

\*July - April  
Source: Economic Survey, 2009-10, GoP

Political instability reduces the volume of investment, rises inflation; curtail the size of employment and productivity which turns into slower economic activities and volatile future policies. Due to this an uncertain and volatile economic environment gave a bad signal to the local as well as foreign investors not only to curtail investment but also stop and postpone all investment activities in such a risky situation and they prefer to safeguard their capital while investing in a safer destinations. This results in low productivity of output which create high pressure on aggregate demand. Eventually high inflation, pushed unemployment and stimulated poverty in the country is an expected outcome. On the other hand, the election and regime changes have significant effect on the volatility of growth. Although in some literature review it has been observed that these variables have adverse impact on economic growth.

### 5. Conclusion & Suggestion

The 2014 PTI sit in protest clearly created an environment of uncertainty in Pakistan that resulted in shying of key investments in Pakistan for the period of the sitins. The demand of resignation of an elected Prime Minister created a dead lock in political solution to the sit in giving lessons to the political elite of Pakistan that protests may have a destructive side for the economy.

More generally, the most significant part of this study is how political instability discourages economic growth, and consequently adversely affects the socio-economic and political environment of a country. Political instability reduces economic growth and this reduction and slow down of economic activities threaten the local and foreign investors to put their investment in such a risky environment. This fall in investment reduces the productivity, savings, and also consumption level because of fall in earning capacity and purchasing power of masses. The political instability causes inflation and unemployment to rise that creates create social un-rest and uncertainty among the people and this un-rest can lead to general strikes and violence not only against employers but also against Government policies. The rationale class of the society starts criticizing on government plans. These social unrest and strikes will pass on a negative signal to the investors. Consequently, investors hesitate to put their huge investments at stake and risk. Political instability is measured by various factors and determinants such as elections, terrorist attacks, regime changes and strikes in the country over a period.

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