

The Financial Daily International

November 06, Page 04
Karachi/Lahore

Economics of demonstration



Ajmal Khan Kakar

The article 16 of 1973 constitution of Pakistan grants every citizen "the right to assemble and peaceful protest". Indeed, this fundamental right is a sign of healthy democracy, which allows the citizen to raise their voices to get their constitutional right. Simultaneously, these assaults, demonstrations, marches and sit-ins have opportunity cost. Miraculously, it seems the regular feature of Pakistan's political landscape. And, it's burgeoning with passage of time. Based on Political Stability Index (-2.5 Weak, 2.5 Strong) 2021, Pakistan was ranked at 181 out of 194 countries, and with the value of -0.07. This indicates the weak stability or instability in the country.

In fact, the prevailing protests in Swat organized by the PTM (Pashtun Tahafuz Movement) against the re-emergence of Taliban in the region, and the ongoing political marches organized by the former premier Imran Khan and interest groups against the government have started a new wave of demonstrations and rallies. The outcomes of this long march will be political instability and uncertain-

ty. This will once again lead to closure of economic activities, educational institutions, unrest among the masses, environmental degradation, loss to public and private properties and waste of resources to maintain the law and order in the capital.

Thus, it's indispensable to measure and conceptualize the economic outcomes of these protests, sit-in, and marches. What is the opportunity or economic cost associated with such demonstration? In this regard, Dr. Nasir Iqbal has thoroughly elaborated the economic consequences of demonstration (see pide.org.pk/economics-of-political-strikes). The study uncovers that political unrest or instability have negative impacts on economic growth and positive relation with the cost of production. In fact, Shonchoy and Tsubota (2016) show that the manufacturing sector's cost rises by about 1.17% because of the disruption caused by strikes in Bangladesh. Shrestha and Chaudhary (2014) documented that the average direct cost of general strikes was 1.4% of Nepal's GDP. These strikes reduced GDP growth rates from 0.6% to 2.2%. Rahman (2014) shows that a ten-day strike led to, on average, a 3% loss to GDP per year in Bangladesh.

Similarly, Matta et al. (2022) shows that actual GDP per capita is, on average, 4.3% lower than its counterfactual because of political instability coupled with mass civil protest in the event year. Pakistan faces a loss of 2.7% in GDP per capita because of political instability and mass civil protest. Ahsan and Iqbal (2015) reveal that a politi-

cal strike over seven days reduces a firm's exports by 4.5% in Bangladesh. Piotr et al. (2020) show that a general strike is detrimental to the value of equities and led to a 6.11% decline in dollar-denominated stock market indices of affected countries. These statistics imply that general strikes have severe ramifications for stock market investors. These losses are equivalent to around 0.4% of GDP per day of a strike.

Keeping in view the existing literature from the neighboring countries, the study predicts that the political demonstrations, marches and sit in cost up to par 3% of GDP each year. And, this opportunity cost is far above the total expenditure on social protection (1% of GDP), Education (1.5% of GDP), and Public Health (1.2% of GDP). Indeed, this opportunity cost is more consequential for the poor. What if we allocate the loss (3% of GDP, owing to protests) in social protection, education and health? Approximately, this will lead to almost 100% increment in expenditures on key sectors. And, ultimately this will result in reduction of impoverishment, better education and health facilities. However, these demonstrations have psychological cost as well. And, one of the reasons behind poor economic outlook is political instability and unrest in the country.

In the absence of political instability, the economic potentials ranging from human capital to natural resources can reverse the poor economic outlook into better one. On the other hand, with the prevailing political

landscape and strikes and marches, culture would exacerbate the economic vulnerability in Pakistan.

Despite the fact, Pakistan faces chronic issues such as climate change, climatic floods, crippling inflation, low productivity, investment and imports, poverty, unskilled labour, unemployment and re-emergence of Taliban in Swat and weak governance structure. In fact, all these issues can be addressed only through serious debates and policies. But, most of the politicians, policy makers, media, including citizen spent the precious time on unwanted strikes and similar events.

All the stake holders, therefore, need to contemplate the economic cost and repercussions before initiating such crawls; and, should invest the time and energy to deal with socioeconomic issues to improve the economic prosperity. It's the need of time, for the political parties to revisit their political culture; and, must come up with a culture that responds to the problem swiftly and candidly.

All in all, economic development and prosperity depends on both the economic resources and healthy political system. In fact, such political system paves the way for economic development. All we need is a political system which creates favorable environment, stimulates economic activities and exacerbates the growth and prosperity.

*The writer is Research Associate at PIDE, Islamabad.
He can be reached at: Ajmal.kakar@pide.org.pk*