# A Tri-Sectoral Policy Analysis of Pakistan's Political Instability, Economic Volatility, and Internal Insecurity (2018–2024)

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## Abstract

*Political instability in Pakistan has long hampered economic development. Although prior studies have focused on examining the economic impacts of political crises, such as fiscal imbalances and dwindling investor confidence, there has been a limited understanding of how they effect influence internal security in Pakistan. This paper examines the impact of political instability on Pakistan's economic performance and explores whether it has increased internal insecurity between 2018 and 2024. By conducting an extensive literature review analysis of various secondary sources, such as government reports, think tank publications, and media assessments, to explore the relationship between political disruption, economic instability, and public unrest in Pakistan, the research results indicate that political turbulence has led to inconsistent policy frameworks and a deteriorated economic environment. At the same time, it has exacerbated growing insecurity in the form of renewed terrorist attacks, public dissent in Balochistan and Khyber Pakhtunkhwa. The study*

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*recommends that decision makers should prioritise political stability by enhancing political dialogue, people-centric governance, and conflict-sensitive economic management in areas prone to insecurity, with robust institutional frameworks to mitigate internal security threats so that Pakistan can move toward an economic trajectory of growth and prosperity.*

***Keywords**: Political instability, insecurity, economic stagnation, governance*

## Introduction

The political landscape of Pakistan since its inception has been marred by political instability, repeated government changes, and a lack of institutional continuity, resulting in dysfunctional governance.[1] The tussles of gaining the lever of power between civilian governments and the military have trapped the country in a vicious cycle of inconsistent policymaking, dysfunctional administration, fiscal indiscipline, and poor governance.[2] Between 2018 and 2024, all of this became evident when the wave of political turbulence led to economic stagnation and amplified insecurity and insurgency in various parts of Pakistan. The 2018 election brought a weak anti-status quo party, Pakistan Tehreek-e-Insaf (PTI), into power with promises of reform and anti-corruption. However, soon growing institutional friction, deterioration of the civil-military relationship, political gridlock, protest movements, and a worsening economic crisis resulted in an unstable government.[3] The subsequent departure of PTI from power in 2022, with Imran Khan failing the vote of confidence, led to a renewed combination of political unrest and economic downturn.[4] The Pakistan Democratic Movement (PDM), a coalition of major opposition parties rose to power in an environment of immense political fragility and instability, whose rule ended with the general election of 2024, after the general election of 2024 where a hung Parliament aroused faced challenges to its legitimacy and aggravated economic and social instability.[5] There is a widely held consensus among researchers that countries with unstable political systems often struggle to maintain steady economic growth.[6] This is because political instability affects everything from investor confidence and capital inflow to public spending and fiscal planning. In the context of Pakistan, periods of political crisis have historically coincided with reduced foreign direct investment, budget deficits, currency depreciation, and rising inflation[7] which have exacerbated economic deprivation, especially in underdeveloped regions like Balochistan and Khyber Pakhtunkhwa, providing fertile ground for militant ideologies to prosper.[8] With the Afghan Taliban back in Kabul and their tacit support to Tehreek-e-Taliban Pakistan (TTP), who shelter and operate from Afghanistan, Pakistan's insecurity has intensified. Meanwhile, to counter this looming threat, successive governments have resorted to short-term populist political fiscal incentives in these conflict-ridden hotspots rather than implementing long-term structural reforms. The misappropriation in the allocation of Annual Development Programme (ADP) funds tells a different tale, where in Balochistan, the fund often falls into the hands of political and bureaucratic elites, who divert resources toward their constituencies or personal interests, rather than areas with genuine development needs.[9] This strengthens patronage politics and exacerbates economic deprivation while deepening structural socio-economic problems, which in turn deprive, marginalise, and disgruntle people from the state; heightening insecurity in the process, as evident in Balochistan.[10] Likewise, the broader economic landscape paints a similar picture. The political polarisation augmented economic quagmire, which caused high volatility in the capital market in responding to political events such as leadership crises, geopolitical crises, judicial rulings, and major protests.[11] The literature also points out that the fear of chronic instability has caused successive governments to delay or, at times, abandon necessary but unpopular reforms, such as broadening the tax base or removing inefficient subsidies to the elites. These economic disruptions have been well-documented, especially by economists, financial analysts, and policy think tanks. But what remains relatively underexplored is how political instability and economic decline intersect to affect internal security, a crucial dimension in Pakistan's fragile governance environment. When the economy weakens due to political instability, the consequences are not confined to government budgets or investor decisions, they also shape the daily realities of ordinary citizens. Similarly, the economy is projected to grow at an average of 2 per cent over the next five years, which is lower than the projected population growth rate.[12] This has not only raised poverty to 42.3 per cent but has also caused public frustration, often manifested in protests, unrest, and resistance toward state authority.[13] In Pakistan, where public trust in institutions is already low, the political and economic crisis quickly spills over into the security realm. The emergence of this pattern has been quite evident: protests sparked by economic hardship have escalated into violent confrontations with the state; regions already dealing with marginalisation or ethnic tensions become hotspots for disorder when governance and development collapse. Despite this recurring trend, some academic studies have connected the dots between political instability, economic volatility, and the subsequent heightened insecurity. Most research tends to treat economic and security issues separately, even though, in practice, they are deeply interlinked. This study addresses that gap by exploring the three-way relationship between political instability, economic disruption, and rising internal insecurity in Pakistan. It argues that these elements do not operate in isolation but are part of a reinforcing cycle where political crises damage the economy, economic stress breeds insecurity, and insecurity further destabilises the political environment. The study focuses on the period between 2018 and 2024, a time of major political transitions, economic shocks, and rising unrest. It draws upon qualitative content analysis of secondary data sources, including government reports, think tank publications, international financial assessments, and credible media coverage. Sources as mentioned above, provide valuable insights into how decisions taken during political crises have affected both economic management and internal security.

The research aims to investigate how the political instability in Pakistan affects economic performance and contribute to rising internal insecurity? To answer this question, thematic analysis of core economic indicators like fiscal balance, inflation, exchange rates, and investment trends is carried out. Secondly, the paper also investigates the complex relationship between economic stagnation and rising insecurity. It examines how insecurity reinforces political instability. Finally, the study proposes policy recommendations to break this cycle, focusing on institutional resilience, policy continuity, and integrated economic-security planning. This research is important for several reasons as it advocates for a new lens of cross-sectoral approaches in our understanding of state fragility. It also aims to add empirical value by focusing on recent political and economic events in Pakistan, particularly the shifts in governance and policy after 2018. For policymakers, the study offers practical recommendations on how to manage economic policy in times of political uncertainty and how to prevent economic crises from escalating into security threats.

## Literature Review

The effect of political instability on economic development has been studied extensively in both global and regional contexts. The literature suggests that political instability does undermine economic growth as it disrupts policymaking, discourages investment, and erodes public trust in institutions. In this context, Alesina and Perotti in 1996, drawing on data from 71 countries over 25 years, offered a foundational theoretical framework wherein they tried to link income inequality with socio-political instability and poor economic performance, exacerbating income inequality, which in turn heightens societal discontent, thereby fuelling political unrest.[14] This unrest, in turn, creates a climate of uncertainty that discourages private investment, one of the key engines of economic growth. Their two-equation model shows that political instability is not merely a symptom of weak governance but a key transmission channel through which inequality undermines growth. Although their core focus was inequality, the causal chain they identified was instability, reduced investment, and growth. Building on this, Aisen and Veiga in 2013 provided a robust empirical evidence of the detrimental impact of political instability on economic growth, a relationship that strongly aligns with the Pakistani context. Utilising data from 169 countries between 1960 and 2004 and applying a system-GMM estimator, their study demonstrates that frequent cabinet changes (used as a proxy for political instability) significantly reduce GDP per capita growth rates.[15] Specifically, one additional cabinet change per year reduces growth by 2.39 per cent. This impact primarily operates through a decline in Total Factor Productivity (TFP), along with weaker accumulation of physical and human capital. Moreover, the study's observation that institutional variables like economic freedom and ethnic homogeneity foster growth, offers further insights for Pakistan, a country with entrenched ethnic divides and weak institutional checks and balances. Their work further illustrates that political instability generates policy uncertainty, which limits both public and private sector investment in infrastructure, industry, and social development.

Similarly, Tabassam, Hashmi, and Rehman in 2016 show that political instability in Pakistan generates policy uncertainty, which deters both public and private investment.[16] Using Autoregressive Conditional Heteroskedasticity (ARCH) and Generalized Autoregressive Conditional Heteroskedasticity (GARCH) models, they find that terrorism, elections, and regime changes significantly reduce economic growth by increasing investment volatility. Javaid et al. in 2024, by using the Autoregressive Distributed Lag (ARDL) bounds testing approach on annual data from 1987 to 2022, analysed the causal link between political and economic stability in Pakistan.[17] The study finds a significant and positive relationship between political stability and economic stability in both the short and long run. In particular, increased political stability, measured through the World Governance Indicators, labour force participation, trade openness, and real discount rates, was found to enhance economic stability and contribute to reduced GDP volatility. Meanwhile, government expenditure had a destabilising effect, possibly due to inefficiencies or fiscal mismanagement. Likewise, several studies have explored the complex interaction between political instability (PI) and economic growth, producing diverse findings across regions and time periods. For instance, Dimitraki, in 2011, while analysing panel data spanning 55 years across Western Europe found a negative correlation between political instability and economic growth.[18] He further argued that both variables are jointly endogenous, reinforcing the bidirectional nature of their relationship.

Earlier, Alesina et al. in 1996 conducted a study covering 113 countries between 1950 and 1982 and also identified a negative association between PI and economic performance.[19] Similarly, Fosu in 2001, focusing on Sub-Saharan Africa by utilising an augmented production function to examine the effects of elite-led political instability events, such as successful coups, attempted coups, coup plots found that failed coups tend to harm growth more severely, likely due to the uncertainty they generate, unlike successful coups which may establish temporary stability.[20]

In a cross-regional study, Zureiqat in 2005 examined the role of political stability, interpreted as democracy, on economic growth across 25 countries in Africa, Southeast Asia, Latin America, the Middle East, and Central and Eastern Europe between 1985 and 2002. The results showed a significant positive link between democratic stability and economic development.[21]

Meanwhile, Feng in 1997 explored data from 96 countries between 1960 and 1980 and concluded that democracy contributes to growth indirectly. His analysis emphasised that democratic regimes reduce the likelihood of both regime and constitutional changes, which in turn creates a more predictable environment for economic progress.[22]

Dogar and Khalid examined the economic implications of political instability in Pakistan, concluding that it often results in short-term, populist fiscal policies such as increased public spending, subsidies, and tax relief.[23] Measures like these, which are done out of political expediency, lead to fiscal imbalances, rising public debt, inflation, and exchange rate volatility. They further argue that frequent policy reversals and uncertainty undermine investor confidence.

Meanwhile, Clements, Gupta, and Nozaki (2013) underscored the difficulty developing nations face in maintaining sound fiscal management, particularly during episodes of political unrest and economic downturns.[24] During times of economic crisis, governments tend to adopt reactive fiscal strategies that involve expanded public spending or hastily designed tax measures, which only tend to exacerbate budgetary imbalances. These short-sighted decisions, largely influenced by the need to satisfy immediate political pressures, compromise long-term fiscal discipline and development prospects. Similarly, Gupta, Clements, and Inchauste in 2004 emphasised how frequent political transitions and unstable governance contribute to fiscal mismanagement.[25] In such settings, budget planning is subject to reversals, and fiscal decisions are often guided by electoral considerations rather than economic prudence which leads to the erosion of fiscal sustainability. Likewise, Ahmed and Iqbal in 2021 found a strong correlation with political stability, as evidenced by the performance of the Pakistan Stock Exchange, whereby political disruptions such as leadership resignations, widespread protests, or military involvement tend to trigger notable declines in market indices.[26] These reactions are largely attributed to investor apprehensions regarding potential economic mismanagement and an unpredictable business climate during such periods. The State Bank of Pakistan (2020) concurred this assumption, quantitatively demonstrating that political uncertainty has a statistically significant adverse impact on the stock market, underscoring the broader economic risks associated with an unstable political environment.

Political instability in Pakistan yields both immediate and prolonged fiscal consequences.[27] Akhtar & Zaman in 2019 found that in the short run, governments often resort to increased public expenditures, particularly on defense and subsidies, or higher levels of borrowing to defuse emerging crises or appease political constituencies.[28] While such measures may offer temporary political or economic relief, they frequently come at the cost of long-term fiscal health. Zaidi (2015) argues that persistent political transitions and abrupt policy shifts weaken fiscal discipline and deter foreign investors, who tend to favour predictable and stable policy environments.[29] The recurring dependency on the IMF for bailouts has exacerbated Pakistan's structural deficits. This is because successive administrations failed to implement fiscal reforms, as Hussain and Ahmed in 2020 concurred.[30] Consequently, short-term fiscal strategies were adopted under politically unstable administrations, often intended to maintain order and allure interest. But this inflicted lasting harm on economic stability. Giving credence to this notion, Dogar and Khalid in 2024 provided a focused analysis of how political instability deters fiscal policy and investor confidence in Pakistan.[31] Using qualitative data, they contended that political instability leads to erratic budget planning, abrupt policy shifts, creating an environment of uncertainty that damages investor sentiment as short-term political calculations often take precedence over long-term economic strategies, which contribute to fiscal imbalances and declining FDI. While this research adds value to the academic discourse by offering specific policy examples, it remains narrowly focused on economic implications and does not engage with the security consequences that often emerge alongside economic crises in politically unstable contexts.

Further studies by Abbas, Ahmed, and Husain in 2015 examined the influence of political stability and macroeconomic uncertainty on aggregate investment behaviour in Pakistan over the period 1960–2015.[32] Using the ARDL model, their study explored both short-run fluctuations and long-run equilibrium relationships in investment. They measured macroeconomic uncertainty through real exchange rate volatility, modelled using a GARCH specification. Their findings revealed that political stability and macroeconomic uncertainty significantly shape investment dynamics in the country.

In addition to these factors, the study highlighted the role of several other key determinants of investment, including GDP growth, the user cost of capital, credit availability, nationalisation policies, and trade openness. The impact of physical infrastructure was found to be positive in the long run, while its short-run effect was negative though statistically insignificant. Their results reinforces neoclassical flexible accelerator model, manifesting that output growth influences investment over time. Their short-run analysis affirmed the McKinnon-Shaw hypothesis, suggesting that limited financial resources constrain investment activity in the absence of well-developed financial markets.

Despite the depth and breadth of economic analysis in the literature, a critical gap persists in understanding how political instability and economic disruption contribute to internal insecurity in Pakistan. Globally, some studies have begun to touch on this tri-sectoral relationship. Like, Julio and Yook in 2012 analysed how political uncertainty shapes corporate investment decisions and can indirectly contribute to economic stagnation and social instability.[33] However, their focus remains on investor behaviour rather than public insecurity. In fragile states, where institutions are weak and public services are inconsistent, the failure to manage political and economic crises simultaneously often leads to civil unrest. Yet, much of the mainstream academic research continues to treat economy, governance, and security as separate policy domains. Most existing studies deal with these issues in isolation, failing to analyse how one amplifies the other in real-world governance. This research aims to fill that gap by adopting a qualitative content analysis approach to examine the reinforcing loop between political instability, economic deterioration, and internal unrest in Pakistan between 2018 and 2024.

## Theoretical Framework

Understanding the complex interplay between political instability, economic performance, and internal insecurity requires an interdisciplinary theoretical foundation. This study draws primarily from Political Economy Theory, State Fragility Framework, and elements of Human Security Theory to explain how political decisions, economic shocks, and governance breakdowns interact in a mutually reinforcing cycle. The aforementioned frameworks offer a lens through which to analyse the causes as well as the consequences of instability, which extend beyond isolated economic or political explanations, emphasising instead the systemic nature of fragility in developing countries like Pakistan.

## Political Economy Theory

Political Economy theory (PET) provides an analytical framework for understanding how different political, non-political interest groups, and pressure groups in the political environment compete to influence and achieve respective economic outcomes. The application of this theory is highly relevant for a country like Pakistan, where instability is often the norm, characterised by regime changes due to strained civil-military relations often resulting in inconsistent economic policies. Hence, at times like these, fiscal decisions are often made to cater to and safeguard short-term political interests as evident by UNDP contending that elite groups, including the corporate sector, feudal landlords, the political class, and the military, consume $17.4 billion, or roughly 6 percent of the country's economy.[34] This culture of rent seeking leads to abrupt policy shifts, changes in budget priorities, and exacerbates investment climate uncertainty. This deters investor confidence as key reforms are often delayed, and challenges like inflation, capital outflows, burgeoning current account deficit, and rising debt tend to pose a significant threat to the economy's viability, as was evident during 2018 to 2024.[35] Furthermore, exemptions to sectors like agriculture, retail, and real estate, and imposition of indirect tax measures have deterred domestic investors' behaviour, who have withdrawn or withheld capital when faced with unpredictable tax regimes. Furthermore, endemic corruption, as well as the stranglehold of the elites has exacerbated income inequality, which has been the driving factor behind capital flight.[36] This theory also helps explain how myopic political objectives like electoral gain, coalition management, or appeasement of power centres are done via increasing political constituency development funds that often override sound economic judgment.[37] Moreover, this theory also explains how such economic mismanagement due to political volatility creates societal stress that can spill over into public unrest or insecurity.[38] In a nutshell, this theory will provide a foundational tool to trace the interconnected cycle of instability, economic fragility, and insecurity.

## State Fragility Framework

The State Fragility Framework (SFF) argues that persistent political instability and economic mismanagement erode state's capacity to govern. As fragile states are vulnerable to exogenous shocks because of their dependency on remittances and overseas aid for economic viability.[39] In this backdrop, the framework becomes highly important as Pakistan is under the strain of both external and internal shocks, like repeated regime changes, weak rule of law, and politicised institutions are hindering the state's ability to carry out sustained economic growth. Between 2018 and 2024, the erosion of state capacity to deliver became stark when rampant political turbulence became a norm, which not only undermined democracy and growth but also raised insecurity to an unprecedented level.[40] Resultantly, stark differences led to the 2022 vote of no-confidence motion whereby the hybrid model came to an end.[41] After the motion, a new setup came into being, which took successive policy reversals, resulting in uncertainty around the IMF program, which, afterward, ended with the IMF program discontinuation.[42] Hence, further weakening the state's ability to alleviate socioeconomic concerns. Thus, making this framework essential to understanding why governance structures in Pakistan have struggled to respond adequately to rising insecurity, protests, and economic hardship.

## Human Security Theory

Human Security Theory (HST) shifts the focus away from a myopic state-centric security lens to the threats posed by poverty, unemployment, food insecurity, political exclusion, and institutional neglect, which are equally detrimental to human life and dignity. In broader terms, HST encapsulates freedom from 'fear,' freedom from 'want,' and life with dignity. While looking at the human security situation in Pakistan, the country is trailing behind its peers in South Asia by scoring 0.44 in 2021 in the Human Security Index.[43] From 2018 to 2024, the situation became so tenuous that the macro-level political and economic instability deteriorated Pakistan's human development indicators. During this period, Pakistan witnessed staggering inflation, massive job losses, food insecurity, and widespread uncertainty, especially after the COVID-19 pandemic and the 2022 change of government made the matter worse. In this backdrop, inconsistent mixed policy messaging, exacerbated unrest, insurgency, and terrorism activities in volatile provinces like Khyber Pakhtunkhwa and Balochistan, which had witnessed the worst form of terrorism since the Soviet Union's entry in Afghanistan. Moreover, public dissatisfaction reflected a growing trust deficit in state institutions due to a sense of exclusion from decision-making processes. Thus, the theory becomes pivotal in exploring how instability is not just a political or economic problem but contributes to a human crisis. Also, the theory's applicability in explaining how localised unrest and ethnic grievances showcases that phenomenon like these are not mere isolated incidents but are outcomes of systemic neglect, showcasing the state’s failure to safeguard human dignity. This creates a link that views national security to be an inherent part of the social and economic well-being of the people, and that restoring stability requires protecting both. These three theoretical lenses, when combined, help create an interdependent relationship between political instability, economic fragility, and internal insecurity in Pakistan. Like, PET explains how rampant political instability disrupts economic trajectory, the SFF reveals how these events disrupt and erode state capacity to deliver on basic needs. HST illustrates how the consequences of fragility further lead to insecurity, unrest, and protest in society. Together, these models offer a robust analytical framework to help understand and address deeper structural challenges about governance, economy, and internal peace.

## Methodology

The study employs a qualitative research design to examine the relationship between political instability, economic fragility, and internal insecurity in Pakistan between 2018 and 2024. The research is based entirely on secondary sources that include policy reports, publications by think tanks, government data, reports from international financial institutions, and credible media coverage. A thematic content analysis of the aforementioned data is carried out to identify patterns across three core areas: political instability, economic performance, and internal security. The data was reviewed to extract key themes such as political instability, fiscal uncertainty, inflation, public protests, and insurgent activity in regions like Khyber Pakhtunkhwa and Balochistan to understand the cumulative effects.

While the research does not involve primary fieldwork, the use of multiple, triangulated secondary sources ensures both analytical depth and credibility.

**Thematic Analysis Table**

| Main Theme | Sub Theme | Key Developments | Source | Theoretical Link | Causal Impact |
|---|---|---|---|---|---|
| Political Instability | Regime Transitions | PTI forms government post-2018 election on reformist agenda; weak anti-status quo party with fragile support. | Raja, 2020 | Political Economy Theory (PET): Weak mandate undermines reform sustainability. | Weak mandate → Unstable governance → Reform paralysis |
| | Civil-Military Tensions | Civil-military relations deteriorate, leading to political gridlock and crisis in governance. | Hussain & Ahmed (2020); Dogar & Khalid (2024) | State Fragility Framework (SFF): Institutional conflict weakens governance. | Institutional friction → Governance breakdown → Economic volatility |
| | Cabinet Volatility | Frequent cabinet changes reduce GDP growth by 2.39% annually. | Aisen & Veiga (2013) | PET: Political instability directly reduces economic output and planning capacity. | Cabinet turnover → Decline in productivity |
| | Constitutional Insecurity | Regime/constitutional changes lower predictability and investor confidence. | Feng (1997) | SFF: Legal and institutional uncertainty discourages investment and disrupts stability. | Legal uncertainty → Investor flight |
| | Political Gridlock | Political polarization, protest movements, and institutional breakdown result in ineffective governance. | Clements et al. (2013); Dogar & Khalid (2024) | PET: Populism and political uncertainty hinder governance continuity. | Political standoffs → Policy delays → Investor uncertainty |
| | Leadership Change | Vote of no-confidence | Al Jazeera, 2022 | SFF: Regime transitions | Government change → |

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| | | removes Imran Khan in 2022, intensifying unrest. | | erode state authority. | Policy reversals → IMF disruption |
| | Hung Parliament | No clear majority in 2024 elections raises concerns over institutional resilience. | Fitch Solutions, 2024 | SFF: Electoral ambiguity increases fragility. | No clear majority → Coalition instability → Weak reform mandate |
| | Policy Inconsistency | Frequent reversals in budget and reform policies are due to political survival concerns. | Aslam (2017a) | PET: Political expediency undermines long-term reforms. | Leadership changes → Reform inconsistency → Budget uncertainty |
| | Electoral Volatility | Political disruptions (protests, resignations, rulings) sharply impact public trust and markets. | Tabassam et al. (2016), Ahmed & Iqbal (2021); State Bank of Pakistan (2020) | PET: Electoral crises damage economic stability. | Electoral events → Market reaction → Capital flight |
| | Coalition Management | PDM and post-PTI coalitions struggle with fragmented authority and limited legitimacy. | Al Jazeera, 2022; Fitch Solutions, 2024 | SFF: Weak coalitions paralyze policy effectiveness. | Disunity in coalition → Delayed decisions → Economic stagnation |
| Economic Volatility | Capital Market Instability | Pakistan Stock Exchange is highly sensitive to political events and institutional changes. | Ahmed & Iqbal (2021); State Bank of Pakistan (2020) | PET: Political instability undermines investor confidence. | Instability → Market panic → Investment withdrawals |
| | Populist Fiscal Spending | Subsidies and short-term giveaways expanded to gain political mileage, worsening fiscal health. | Dogar & Khalid (n.d.); Clements et al. (2013); Akhtar & | PET: Political short-termism drives unsustainable policies. | Pre-election spending → Fiscal deficit → IMF pressure |

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| | | | Zaman (2019) | | |
| | Delayed Structural Reforms | Reforms like subsidy cuts and tax broadening are delayed or cancelled. | Zaidi (2015); Hussain & Ahmed (2020) | PET: Reforms avoided due to political costs. | Reform delays → Fiscal stress → Development freeze |
| | IMF Program Disruption | IMF program disrupted post-2022 due to shifting leadership and policy reversals. | Hussain & Ahmed (2020) | SFF: Inconsistent leadership undermines macroeconomic stability. | Policy flip-flops → IMF withdrawal → Investor concern |
| | Rising Inflation and Poverty | Growth below population increase; inflation and poverty surge (42.3%). | World Bank, 2025 | HST: Economic hardship erodes public well-being. | High inflation → Poverty rise → Social unrest |
| | Foreign Direct Investment (FDI) Decline | Political uncertainty and abrupt policy shifts reduce investor confidence. | Zaidi (2015); Hussain & Ahmed (2020) | PET: Investment declines under volatile governance. | Uncertainty → Reduced FDI → Currency depreciation |
| | Fiscal Erosion | Budget decisions made for elections compromise discipline. | Gupta, Clements & Inchauste (2004) | PET: Politically motivated spending undermines fiscal sustainability. | Electoral needs → Fiscal imbalance |
| | Growth Collapse | Each instability episode linked to declining growth. | Dimitraki (2011); Alesina et al. (1996) | PET: Instability creates an environment where long-term growth is undermined. | Instability → Growth decline |
| | Political Instability and Economic Growth | Negative correlation between political instability and economic growth. Both variables are jointly endogenous, | Dimitraki (2011) | PET: Growth suffers from compounded fragility | Instability ↔ Low investment |

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| | | highlighting their bidirectional relationship. | | | |
| | Trade Openness | Trade openness linked to long-run macro stability. | Javaid et al. (2024) | PET: Economically open systems are more resilient to internal shocks if governed effectively. | Openness → Buffers against instability |
| | Recurring IMF Dependency | Structural weaknesses and poor revenue collection force repeated IMF bailouts. | Hussain & Ahmed (2020); Dogar & Khalid (2024) | SFF: Crisis governance replaces long-term planning. | Repeated bailouts → Donor fatigue → Sovereign risk |
| | Exchange Rate Volatility | Currency markets respond negatively to political uncertainty and policy instability. | State Bank of Pakistan (2020); Abbas et al. (2015) | PET: Instability weakens monetary and fiscal management. | Political turmoil → Exchange fluctuation → Inflation risk |
| | Tax Evasion and Narrow Base | Elite-focused tax exemptions and reluctance to broaden base hurt revenue. | Dev Kar (2023) | PET: Political interference blocks tax justice and economic efficiency. | Elitism in tax → Low revenue → Budget deficit |
| Internal Insecurity | Ethnic Grievances & Marginalization | KPK and Balochistan face unrest due to state neglect and lack of inclusion. | Mushtaq and Mirza (2021) | HST: Exclusion drives sub-national unrest. | Neglect → Regional alienation → Insurgency |
| | Coups and Crisis | Failed coups harm growth more than successful ones due to uncertainty. | Fosu (2001) | SFF: Failed transitions harm long-term governance. | Attempted coups → Lasting damage |
| | Public Protests and Civil Unrest | Rising unemployment, inflation, and economic stress trigger national-level protests. | Naz et al. (2012) | HST: Economic deprivation leads to collective action. | Inflation + job loss → Protests → Institutional backlash |

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| | Renewed Terrorist Activity | Instability and underdevelopment triggered insurgency revival. | Dogar & Khalid (2024); Tabassam et al. (2016) | SFF & HST: Poor governance leads to violent expressions of grievance. | Instability → Security gaps → Terror resurgence |
| | Income Inequality → Unrest | Inequality fuels instability and stifles investment. | Alesina & Perotti (1996) | PET, HST: Socioeconomic inequality creates political unrest and weakens legitimacy. | Inequality → Discontent → Political violence |
| | Trust Deficit in Institutions | Public confidence declines due to inflation, insecurity, and exclusion. | Ali (2022) | HST: Weak institutions fail to maintain societal cohesion. | Institutional failures → Citizen distrust → Governance crisis |
| | Political Exclusion | Democratic instability marginalizes weaker regions. | Zureiqat (2005) | HST: Exclusion from political processes fosters rebellion or disengagement. | Democratic breakdown → Group alienation |
| | Security-Governance Link | Rising insecurity mirrors political and economic dysfunction. | CRSS Annual Security Report (2023) | PET, SFF, HST: Vicious cycle between instability, economy, and security. | Poor services + weak state → Violence → State legitimacy erosion |
| | Fragile Infrastructure | Weak institutions and poor services trigger resentment. | Julio & Yook (2012); Abbas et al. (2015) | HST: Poor service delivery drives communities to resist the state. | State neglect → Civil resistance |
| | Post-COVID Human Insecurity Surge | COVID-19 aftermath deepens unrest with increased food insecurity, | Khan (2021) | HST: Socioeconomic shocks magnify human | Pandemic shock → Food/job insecurity → Local unrest |

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| | | unemployment, and public anger. | | vulnerability. | |

## Conclusion and Policy Recommendations

The study investigated and analysed how political instability in Pakistan affected economic performance and contributed to rising internal insecurity between 2018 and 2024. Drawing on thematic content analysis of secondary sources the research found that these three dimensions are not separate policy challenges but form an interlinked and reinforcing cycle of state fragility. Political instability indeed weakened policy continuity and created an uncertain environment. Later, it translated into broader macroeconomic volatility, resulting in rising inflation, burgeoning fiscal deficits, lower investment, and declining productivity resulting in low growth. In turn, this economic distress triggered public unrest and exacerbated the divide between the state and its people, resulting in internal insecurity and a breakdown in state authority, particularly visible in urban protests and the resurgence of militancy in Khyber Pakhtunkhwa and Balochistan.

The analysis confirms that political instability undermines not just the economy, but the very institutions needed to uphold law and order and deliver basic services. It also shows that economic grievances, when unaddressed, morph into security threats as public frustration turns into protest, agitation, and in some regions, support for anti-state actors. This creates a mechanism of feedback loop where insecurity not only further erodes state writ, fuels political polarization, and discourages both investment and civic trust. The interdependence of these crises suggests that partial or single-sector solutions will not be effective in restoring stability or rebuilding public confidence.

## Policy Recommendations

### Decouple Economic Reforms from Political Expediency

The prevalence of an entrenched zero-sum mindset in the mainstream political parties has heightened adversarial politics discourse in the national stream. This not only cemented deadlock on key important policy issues but also throttled necessary reforms for economic growth. Thence, a national charter on the economy, agreed upon across political parties, is the need of the hour that must decouple economic trajectory from short-term political expediency. A non-negotiable reforms on subjects like taxation, energy pricing, and social protection must be adopted that remain intact across administrations; this would signal policy continuity and build investor confidence.

### Institutionalise Political Dialogue for Policy Continuity

A structured political dialogue among key stakeholders including major political parties, the military establishment, and civil society can help reduce polarisation and prevent governance deadlocks that often lead to unrest. Establishing a long-term, cross-party framework for safeguarding the necessary strategic economic interest would minimise abrupt policy shifts that erode investor confidence and stall reforms. A political consensus on core national priorities such as fiscal discipline, counterterrorism, and institutional reform would provide stability and predictability in governance. This would allay insecurity and the risks of regional insurgencies with one stone and would restore public trust in the political process. Ultimately, political cooperation is essential for breaking the cycle of economic disruption and rising internal insecurity in Pakistan.

### Strengthen Rule of Law and Autonomy of Institutions

The tussle for power and more resources has politicised and subservient institutions, which has not only dented institutions' autonomy but has also minimised the economic pie. Hence, restoring the independence of these bodies is essential for long-term economic stability. Necessary steps like depoliticising civil services and shortening the size of government, and protecting bureaucrats from retaliation would allow consistent policy implementation regardless of who is in power.

### Integrating Human Security into Economic Planning

The focus on GDP growth and debt servicing has overshadowed the state's ability to deliver on issues such as employment, food access, education, and safety. A human security whole of a government approach prioritising livelihood protection, basic services, and local conflict prevention should be integrated into national and provincial economic planning.

### Enhance Civil-Military Clarity in Governance Roles

Persistent civil-military tensions contribute to institutional fragmentation. There must be a clearer delineation of civilian and military authority, especially in policymaking and internal security management. Institutions like NACTA must be empowered and revitalised for tackling internal insecurity and ensuring civil-military balance because, without such clarity, governance paralysis and public confusion are likely to persist, damaging both state legitimacy and performance.

### Reprioritise Investment in Conflict-Affected Regions

Khyber Pakhtunkhwa and Balochistan provinces have borne the brunt of militancy. Hence, targeted development programs that go beyond counterterrorism must be implemented on a priority basis. Investments in education, infrastructure, and local governance should be accompanied by inclusive political dialogue. This will help prevent these regions from becoming long-term security liabilities.

### Build Early Warning Mechanisms for Political and Security Risk

Pakistan lacks institutional mechanisms for identifying and responding to escalating political or economic crises before they turn violent. A national crisis monitoring unit comprising representatives from the political parties, the impartial election commission members, the central bank, civil society, and security agencies could help forecast risk and coordinate response.

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