

UNIVERSITY OF THE PEOPLE

BUS 1103-01 Microeconomics- AY2024-T1

Learning Journal Unit 7

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Discuss the flaws in the democratic system of government from the online news article.

Flaws in Pakistan's Democratic System:

History:

Since its founding, Pakistan has faced much turmoil including conflict between provinces and a nuclear standoff with India, preventing stability. The country alternates between military dictatorships and democratic governments, as well as shifting between secular and frontline anti-communist and counterterrorism policies. Recent emergencies and the assassination of Benazir Bhutto show Pakistan's continuing economic and political instability rooted in its turbulent history of internal divisions and external conflicts. (*Pakistan: A Political History*, 2020) Some key issues include:

- Frequent military coups and interference in civilian politics. The military has directly ruled the country for over 30 years total, disrupting democratic continuity.
- Weak democratic institutions. Key bodies like the judiciary, election commission, police, etc. lack independence and are manipulated by those in power. This enables corruption.
- Dynastic politics and entrenched political elites. The Bhutto and Sharif families have dominated politics without allowing new leadership to emerge.
- Restrictions on media freedom. Media faces pressure and censorship when reporting on sensitive issues like the military, judiciary, and politicians. This restricts transparency.
- Low voter turnout and disengagement. Voter turnout in elections remains low due to disillusionment with the system.

- Flawed electoral processes. Concerns over rigging, intimidation and army interference have plagued votes.
- Provincial discontent. Smaller provinces feel marginalized by the Punjab-dominated political system.

Present:

The article which I have chosen highlights ongoing political instability and polarization in Pakistan, seen through the confrontation between Imran Khan and the current government. It points to undemocratic practices like the military interfering in politics, the government manipulating the judiciary to target opposition leaders, and delaying constitutionally mandated elections to cling to power amid unpopularity. The return of established political families like the Sharifs also demonstrates the persistence of dynastic politics rather than new leadership emerging democratically. Furthermore, the economy's recurring crises driven by poor governance and lack of reforms demonstrates the failure of successive democratic governments to effectively manage the economy and country. These flaws reveal weaknesses in checks on executive power, limitations on media and judicial independence, civilian control over the military, and the dominance of elite interests over democratic processes.

How did the financial markets influence the government's actions?

Financial markets can influence government actions and policies in a few keyways:

Government borrowing - Governments frequently raise funds by issuing bonds and securities in financial markets. If markets lose confidence in a government's economic policies or debt repayment capacity, they can demand higher interest rates or even refuse to lend. This pressures governments to maintain responsible fiscal policies.

Exchange rates - Financial markets set currency exchange rates based on economic fundamentals, capital flows, and speculation. Sharp currency devaluations or excessive volatility due to market movements can prompt governments to intervene with exchange rate management policies, interest rate changes, or capital controls.

Financial crises - Loss of investor confidence, bank runs, stock market crashes, or currency collapses can destabilize economies and lead to financial crises. Governments often respond with bailouts, emergency loans, new regulations, or monetary stimulus to restore market stability. The 2008 global financial crisis triggered major policy actions by governments worldwide.

Business reactions - Financial market reactions to policies also influence business sentiment and real investment. Falling markets and investor uncertainty will tend to dampen private economic activity, pressuring governments to recalibrate policy approaches.

Governments must closely monitor financial market dynamics and often adjust their fiscal, monetary, regulatory or trade policies to maintain functioning and stable markets that support broader economic goals.

What is one topic that you learned in this microeconomics course so far that you did not know before?

One topic I have learned about in microeconomics that was new to me is the concept of ***elasticity***. “Elasticity is a measure of a variable's sensitivity to a change in other variables—or a single variable. Most commonly this sensitivity is the change in quantity demanded relative to changes in other factors, such as price.” (Hayes, 2022) Understanding elasticities helps businesses and policymakers predict consumer behavior. I did not grasp these dynamics before studying microeconomics.

Explain the benefits for you obtaining knowledge in microeconomics.

Benefits of Microeconomic Knowledge:

Some benefits I obtain from learning microeconomics concepts like elasticity include:

- Better understanding of business and consumer decision making. Microeconomics provides the tools to analyze incentives and constraints facing different economic agents.
- Insight into policy trade-offs. Microeconomics helps illustrate the potential impacts of government policies like taxes, subsidies, regulations, etc. on different groups.
- Foundation for further economics study. The principles of microeconomics underlie fields like macroeconomics, finance, public policy, and more.
- Improved financial and consumer choices. Microeconomic frameworks like cost-benefit analysis can lead to better personal economic decisions in spending, budgeting, investing, etc.

Hence, I can deduce this that microeconomics helps strengthen my analytical thinking and provides useful models for understanding real-world economic phenomena and choices. This knowledge is widely applicable.

References:

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