Do Political Instability and Size of GovernmentimpactEconomic Growth in Pakistan: New Insights from Tada and Yamamoto Causality

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ABSTRACT
Present research explores the role ofthe size government in economicdevelopment. The research endeavors to investigate the impact of political instability, size of theGovernment on economic growth in Pakistan. The data on political instability iscollected from Integrated Network for Societal Conflict Research and the indicator forthese variables is Polity II. Data for the size of the Government is taken from theEconomic Freedom of the World Annual Report (2019). The annual time series data covering the period of 1976to2018forempiricalanalysis. ARDL and thegrangernon-causalityTota-Yamamotoestimation techniques have been used for empirical estimation. It was concluded that political instability has inverse impact on economic growth. The size the government as measured by index and reduction in political instability have positive impact on economic growth. It was suggested to enhance the role of the government to promote economic growth that further led to economic growth.
Key words: Size of Government, Index, Economic Freedom, Tota-Yamamoto, political instability

Introduction

Government intervention is less important in most of capitalist developed economieswhile for a developing economy, a government holds key role in the allocation anddistribution of resources especially in infrastructure, education, defense, and healthsectors (Nyasha and Odhiambo, 2019). The measurement of the size dimension ispublic investment, has been combined in the work of Easterly and Rebelo (1993). Economic development of any country is also dependent on the political conditions as well.Thepoliticalstabilitycanencourageeconomicgrowthastherewouldbelessuncertainty in these conditions. Furthermore, an unbalanced and unsound

politicalsystemmightdangerouslyobstructthewaytoeconomicgrowth. A government is considered to be incompetent if policy objectivesdiffer over a short period of time. The association among political unpredictability andfinancial progress might be examined in two traditions. Firstly, politically unstableenvironmentcreatesuncertaintyandvolatilitywhichdiminishesconfidentialinvestmentmostimportanttoreduceindevelopment.Secondly,politicalimprobabilitytransformstheenvironmentofinvestmentandaffectsthedemandoffactorsandchangethe example of spending which has straight effect on economic growth to a certainextentthanimpactoninvestment(AsteriouandPrice,2001).

It is criticized that aid and financial supports rather increasing investment, may escort to relatively high public and privateconsumption,mostly in consumption-oriented economies, couldlead

toincreasedpublicandprivateconsumptionratherthaninvestment,andcouldhavecontributedlesstogrowth.

Ample of the studiesexplored that when aneconomy is in its initial stage of growth, an increase in the size of public expenditureleadstogiveanincentiveforprivateinvestorstocontributetotheprocessofindustrialization. To find out the different threshold points three government sizeindicators are employed. The research concludes that non-linear relationship, in whichthethresholdeffectsequivalenttototalgovernmentexpenditureshareingrossdomestic production (GDP), government consumption expenditure share in GDP, andgovernment investment expenditure share in GDP.

LITERATURE REVIEW

Bergh and Henrekson(2011) investigated measuringgovernmentsize and found a negativecorrelation among size of the govt and economic growth. Cooray (2009) examined the role of the government in economic growth and found that both are significantly related to each other. CuaresmaandOberhofer(2010)utilizing dataseton106dictatorsthough the size ofcountry. Populated countries experience a longerLog-time to failure to enhance economic growth. Gurgul etal.(2011) explored thecorrelationbetween budgetary expenditureandeconomic growth in Poland with aggregateanddisaggregatedata for the period Q1 2000 to Q3 2008. The results showed that the health care expenditurefound have significant for economic growth as expenditures on education. Hajamini et al. (2014) explored the association among governmentconsumptionexpenditure in lowandlow-middleincomecountries. Using data of 21 developing countries and11 low-middle income countries from 1981 to 2007 it was concluded that share of government consumption has an impacton economic growth.

Kumbers and Birch (2006) explored publicsectorinstitutionsarebasictotheachievementoftheScottisheconomy foundations, human and technological resources.LinandLiu(2000)examinedtheimpactoffiscaldecentralizationononeconomicgrowth.The

researchconcludedthatfiscaldecentralizationhasapositiveroleintheprocessofeconomicgrowth.

Murshed et al. (2021) analyzed the indispensable role of government expenditure toexplain the economic growth performances in any economy may not be ignored. The research concluded that threshold levels of government expenditure. Ogundipe (2013) considered uncorrelated level of economic growth and checked its association with budgetaryexpenditureinNigeria. Theeffect of government capital expenditure oneconomic growth was found positive. They have used 1970 to 2009 data. It reveals that capitalhave significant and positive effect on economic growth. Shen et al. (2018) examined that government spending and illustrate that it found a vital role of policyinstrumentofLICs,bothtocounteractbusinesscyclesandtopromotegrowth.connectionbetw eenGSandEGhas a significant relationship. Stephen (2012) investigated publicexpendituresforeconomicgrowth with Ordinary Least Square (OLS) multiple regression model.The enlistment of public expenditures does not achieve the growth.

Dataandmethodology

Datasources

The research endeavors to investigate the impact of political instability, size of theGovernment and the economic growth in Pakistan. The data on political instability iscollected from Integrated Network for Societal Conflict Research and the indicator forthese variables is Polity II. Data for the size of the Government is taken from theEconomic Freedom of the World Annual Report (2019). Data for trade openness,school enrollment, interest rate, was collected from World Development Indicator(WDI) and the data on Labor Force participation and population growth is taken fromeconomic survey of Pakistan. The data for the foreign direct investment is collectedfrom State Bank of Pakistan. The annual time series data covering the period of 1976to2018forisutilizedforthe empiricalanalysis.

TheoreticalConstructionoftheModel

Following details of the model on theoretical basis are presented here. ARDL and thegrangernoncausality(Tota-Yamamotoversion)arethetheoreticalmodelsofthemodelselectedonthebasis ofthecharacteristics ofthedata.

Auto-RegressiveDistributedLagModel and ErrorCorrection Mechanism

Auto Regressive Distributed Lag technique established by Pesaran et al. (1996)isemployed to estimate the parameters. ARDL is a combination of both autoregressiveand distributed lag versions of the variables. This model helps to solve the problem of certain laglengthandthis problemwillbesolvedwiththehelpofAIC (Chetty,2018). Furthermore the "Errorcorrectionmodel (ECM)"proposedbyEngelandGranger"(1987) describes that any disequilibrium in short run will be approached towards the long run equilibrium in a co-integratedseries.ECM'sareusefulforestimatingshortrunandlongruneffectsofonetime series onanothertimeseries.If $yt\ and\ xt$ are co-integrated then we recurrent the connection among$yt\ and\ xt$withaECMmeasurementas:

$$\Delta Y_t = a_0 + b_1 \Delta X_t - \pi(1-t) + et \text{ where } a_0 = intercept,$$
$b1 = impactmultiplier(determinetheimpactofany$
$changeinxtanditbringsachangeinyt. \pi = isanadjustmentcoefficient.$

The ECM model is convenient for measuring the correction from disequilibrium. In case of no Cointegration of time series, therefore, ECMwill serve as an estimate of spuriousregression that was introduced by the Yule (1926) and Granger and Newbold (1974) as this problem compromise the validity of conventional theory andconsiderthatothertypesofWald testinECMsareasymptoticallyvalid chi-squaretest(TodaandPhillips,1994).ToavoidtheseproblemsTodaandYamamoto(1995)illustratea processthatisutilizedtoapproximateunrestrictedVARbyusingamodifiedWaldtest(Hamdi,2013).

Tota-YamamotoVersionofGrangerCausality

The Granger causality technique, first proposed by Granger (1969) it illustrate that theone time series is determine the direction of change in the other series. It was arguedthat the Granger causality is the form of "predictive causality" (Diebold, 2001). Toda and Yamamoto (1995) version of Granger causality test thedirectionofcausalityamong thetwovariables(Frimpong and Aayie,2006).Ifsizeof government politicalinstabilityandtheeconomicgrowthhaveacommonstochastictrendthenthere is a chance to have a causal association. Toda and Yamamoto consider the order of integration for each of the variable. When the order of integration isdifferent than we get the maximum (d_{max}) which is based on VAR ($k+d_{max}$) model with k equals to optimallaglengthandd$_{max}$signifiesthemaximumintegratedorderofvariablesinVAR model.

Empiricalmodelconstruction
Model1:PoliticalInstabilityand EconomicGrowth

$GDPGR=bo+b1(LFPR)+b2(GTI)+b3(M2)+b4(POLITY2)+b5(FTR)+e$

Model2:Size of Government and EconomicGrowth

$GDPGR=ao+a1(LFPR)+a2(GTI)+a3(M2)+b4(GSIZE)+b5(PHCR)+b6(TO)+ u$

Model3:PoliticalInstability, SizeofGovernment and EconomicGrowth

$GDPGR=\gamma o+\gamma 1(LFPR)+\gamma 2(GTI)+\gamma 3(GSIZE)+\gamma 4(PHCR)+\gamma 5(TO)+\gamma 6(FTRI)+\gamma 7(POLITY2)+\gamma 8(SDI)+u$

GDPGR	=	GDP Growth Rate
LFPR	=	Labour Force Participation Rate
GTI	=	Gross Total Investment
M2	=	Money Supply
POLITY2	=	Political Instability Index
FTR	=	Freedom to Trade Internationally
GSIZE	=	Size of The Government index[1]
PHCR	=	Poverty Head Count Ratio
TO	=	Trade OpennessEmpiricalresultsanddiscussion

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[1]Size of the Government Index is made from the following indicators. 1. size of government 2. transfers and subsidies 3. government investment 4. top marginal income tax rate 5. top marginal income and payroll tax rate 6. top marginal tax rate 7. state ownership of assets

Table1: descriptiveanalysisofthedata

	Mean	Median	Maximum	Minimum	Std.Dev.
LFPR	30.19	29.61	32.98	27.46	1.86
M2	14.81	14.70	29.30	4.30	4.94
GSIZE	6.53	6.96	9.90	4.62	1.37
PHCR	24.25	23.39	34.60	17.30	3.45
TO	0.31	0.30	0.37	0.26	0.03
FTRI	4.64	4.14	6.39	2.20	1.31
POLITY2	1.24	5.00	8.00	-7.00	6.47
SDI	107.22	106.36	199.73	18.74	57.64
GDPG	4.77	4.35	8.70	1.20	1.95

Source: Author's Estimationswith E-views9.5.

Table 1 states descriptive of the data used in research. It shows the Mean, Median, Maximum, Minimum and Std. Dev for LFPR, M2, GSIZE, PHCR, TO, FTRI, POLITY2, SDI and GDPG.

Table2: Correlation Analysis of data

	LFPR	GTI	M2	*GSIZE*	PHCR	TO	FTRI	POLITY2	SDI
LFPR	1.0000								
GTI	0.3618	1.0000							
M2	-0.1783	-0.0886	1.0000						
GSIZE	0.4569	0.1842	-0.1662	1.0000					
PHCR	-0.0665	-0.1068	-0.1873	0.3103	1.0000				
TO	-0.5423	-0.7264	0.2388	-0.4785	-0.1288	1.0000			
FTRI	0.6359	0.4476	0.0106	0.2205	-0.0590	-0.6608	1.0000		
POLITY2	0.1327	0.4084	0.0954	0.1922	-0.3567	0.1336	0.2102	1.0000	
SDI	0.6769	0.4379	-0.0723	0.8534	0.0027	-0.6273	0.3461	0.4388	1.0000

Source: Author's Estimationswith E-views9.5.

Table 2 shows positive correlation between GTI and LFPR of 0.3618. M2 hasnegative correlation with LFPR and GTI of 0.1783 and 0.0886 respectively. Govt sizeispositivelycorrelatedwithLFPRandGTIby0.4569and0.1842whileit hasnegativecorrelationof0.1662withM2.PHCRisnegativelycorrelatedwithLFPR,GTIandM2 with values of 0.0665, 0.1086 and 0.1873 respectively, while it is positively correlatedto

govt size by 0.3103. TO is negatively correlated with LFPR, GTI, GOVT SIZE andPHCR with 0.5423, 0.7264, 0.4785 and 0.1288 correlation; it is positively correlatedwith M2 with 0.2388 correlation. Freedom to trade is positively correlated to LFPR,GTI,M2andGOVTSIZEwith0.6359,0.4476,0.0106and0.2205anditisnegativelycorrelated to PHCR and TO by 0.0590 and 0.6608. POLITY is positively correlated toLFPR, GTI, M2, GOVT SIZE, TO and FREEDOM TO TRADE by correlation of0.1327, 0.4084, 0.0954, 0.1922, 0.013336 and 0.2102, it is negatively correlated toPHCRbynegativecorrelationof0.3567.SDIispositivelycorrelatedwithLFPR, GTI,GOVTSIZE,PHCRandPOLITICALINSTABILITYbyvaluesof0.6769,0.4379,0.8534,0.0027,0.3461and0.4388,itisnegativelycorrelatedtoM2andTOby0.0723and 0.6273.

Table3: UnitRoot AnalysisofData

Variables	Intercept	Trend and intercept	Remarks
GDP	-3.8831(0.0051)		
ΔGDP			Stationary at level
LFPR	-5.7980(0.0000)		
ΔLFPR			Stationary at level
TO	-1.9831(0.2926)		Stationary at 1st difference
ΔTO	-8.5529(0.0000)		
PHCR	-2.4644(0.1328)		Stationary at 1st difference
ΔPHCR			
POLITY2	-1.6337(0.4557)		Stationary at 1st difference
ΔPOLITY2	-5.6003(0.0000)		
GTI	-0.3188(0.9124)		Stationary at 1st difference
ΔGTI	-6.5187(0.0000)		
GOVT SIZE		-4.4686(0.0056)	
ΔGOVT SIZE			Stationary at level
SDI	-5.4361 (0.0001)		
ΔSDI			Stationary at level
FTRI		-1.74635 (0.7100)	Stationary at 1st difference
ΔFTRI		-5.33747 (0.0006)	
GTI		-2.58052(0.2908)	Stationary at 1st difference
ΔGTI		-4.7655(0.0049)	

Source: Author's Estimationswith E-views9.5.

Table 3 presentedresults drawnfromtheAugmentedDickeyFullertest.AugmentedDickeyfullertestshowthatGDP,Laborfor ceparticipationrate,TradeOpenness, Polity 2, money supply, poverty head count ratio and the

freedom to tradeinternationally, GTI is presented in the table above. GDPR, LFPR, SDI govt. size arestationary at level. Trade Openness, Polity 2, GTI, PHCR, M2, freedom to trade areintegratedoforderI(1)orstationaryatfirstdifferenceorintercept.

Co-integrationanalysis

Table4: ModelBoundTest for1

Null Hypothesis: No long-run relationships exist					
Model 1		**Model 2**		**Model 3**	
F-statistic	6.006562	F-statistic	6.316513	F-statistic	4.470566
Critical Value Bounds					
Significance	Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound
10%	2.26	3.35	2.12	3.23	1.88	2.99
5%	2.62	3.79	2.45	3.61	2.14	3.3
2.50%	2.96	4.18	2.75	3.99	2.37	3.6
1%	3.41	4.68	3.15	4.43	2.65	3.97
Result	**Cointegration Exists**		**Cointegration Exists**		**Cointegration Exists**	

Source: Author's Estimationswith E-views9.5.

Empirical Analysis

Autoregressivedistributedlagmodelisprocessofinspectionshortrunandlongrun coordination among variables. This shift to will be satisfactory to calculate presentlyoneequation.RecommendationofARDLcanbejustifiedthroughfollowingtype.ARDLholdmixtureofbothtypeofvariableswhicharestationaryatlevel and 1stdifferenceandmosthelpfulapproachincaseofsmallsizeofsample.

Table7:ShortRun-Error correction results

Variable	Model 1	Model 2	Model 1
D(GDPR(-1))		0.387733*** (0.0137)	
D(LFPR)	0.696020 (0.1729)	1.091788*** (0.0000)	0.296597 (0.1759)
D(GTI)	0.000000 (0.8864)	0.000011*** (0.0053)	0.000020*** (0.0001)
D(GTI(-1))	0.220446*** (0.0002)		-0.000010*** (0.0034)
D(M2)	-0.085645* (0.0908)	0.196587*** (0.0003)	0.181069*** (0.0002)
D(M2(-1))			0.049904 (0.2433)
D(GSIZE)	-0.743620	0.275648	0.915856**

	(0.3815)	(0.4038)	(0.0506)
	-0.968724	-0.044381	-0.001456
D(PHCR)	(0.2036)	(0.7532)	(0.9928)
D(TO)		-39.332964***	-9.637935
		(0.0017)	(0.4984)
			-15.885334
D(TO(-1))			(0.2123)
	-0.743620		-0.625363
D(FTRI)	(0.3815)		(0.3642)
D(FTRI(-1)	-0.968724		
	(0.2036)		
	0.027559		-0.071227
D(POLITY2)	(0.7002)		(0.3200)
			-0.142838 *
D(POLITY2(-1))			(0.0637)
			-0.134440***
D(SDI)			(0.0094)
			0.115993***
D(SDI(-1))			(0.0080)
	-1.075119***	-1.991515***	-1.652748***
CointEq(-1)	(0.0000)	(0.0000)	(0.0000)

Source: Author's Estimationswith E-views9.5.

Table 7 represents the short run results of the results. This error correction results are very useful in indicating mechanism for any disturbance andunstablechangeintimeseriesofanyconcernedvariables.For model 1 error correction term is negative and highlysignificant. Any disequilibria in the short run will restore the long run equilibrium asthe valueoftheECMis-1.075119. In model 2 error correctionterm is negative and highly significant indicating that any deviation from long run will be restored in the longrunequilibriumas thevalueofthe ECMis-1.99151. The error correction term is negative and highlysignificant. Any disequilibria in the short run will restore the long run equilibrium asthe valueoftheECMis-1.652748.

Table 8: LongRun Results

Variable	Model 1	Model 2	Model 3
LFPR	1.291831***	0.548220***	0.179457
	(0.0069)	(0.0000)	(0.1715)
GTI	0.000005***	0.000002***	0.000001
	(0.0111)	(0.0000)	(0.4255)

M2	0.183873*** (0.0169)	0.098712 (0.0005)	0.051953 (0.2241)
GSIZE		0.286740 (0.2381)	0.785809 (0.0753)
PHCR	1.244000 (0.1354)	-0.156234 (0.0110)	-0.088605 (0.1767)
TO	-38.225462*** (0.0144)	-19.750271*** (0.0023)	18.372261 (0.1082)
FTRI			0.063784 (0.8941)
POLITY2	-0.025633 (0.7017)		-0.131028*** (0.0132)
SDI			-0.009092 (0.5407)
c	0.000481 (0.6903)	0.060415 (0.5574)	0.081758 (0.1712)

Source: Author's Estimationswith E-views9.5.

Model 1 represents that Labour force participation rate has had positive and significant affiliation with realGDP. Labor force participation had in Lon Run with economic growth.Investment has also positive role to determine economic growth.It is an importantinstrumentformovementoftechnology,impartingrelativelymoretogrowthapartfro mother measures. And also lends to economic growth only when enough absorptivecapacity of advanced technologies is available in host economy. Investment and economic growth of Pakistan had positive correlation. Money supply had substantial positive impact on GDP and government shouldapprovedexpansionary monetary policy to achieve money growth.Money supply and growth effects at high rates (Nasir and Saima 2010). POLITICALINSTABILITYhasitsnegativeinfluence on economic growth.freedom totradeinternationallyalsohasitspositiveimpactongrowth. Model 2 exhibits that Labour force participation rate had positive and significant affiliation with real

GDPwithagreatsignificance.Stabilityofeconomylieoncapabilitytosustainlowunemployme nt rate and offer safe and secure workplace. Employment and economic growthare linkedasemploymentconfertoeconomicgrowth,andworkersproducedvaluedgoods and services and sequentially received income which they spent on purchasinggoods

produced and high employmentmeans larger numbers of goods produced.Beforeindustrialrevolution,workersdependonwhattheymightproduceindividually.Accessibilityofelectronics,spherefoods,clothingandothersellingsubstancesdue fully to extension of employment prospects and talented workforce ready to producetheseitems. Model 3 represents thatGovt. Size also has positive impact on the economic growth as the coefficient is0.785809 with significant probability of 0.7. Poverty Head Count Ratio has negativeimpact on the economic growth as the coefficient is -0.088605 with insignificantimpact.Whilethetradeopennessalsohasthepositiveinsignificantimpactoneconomicgrowth. Real gross domestic product has positive and significant relationship betweentrades. Relationship and impact of openness of trade on economic growth of Pakistanandtherewasapositiveimpactoftradeopennessoneconomicgrowth.Political instability is one of the factors that determine a negative and significantimpact on economic growth. It has -0.131028 coefficient that describe that the it issignificant.In last four decades, composition of Pakistan's GDP had experienced considerablechangeasshareofservicessectorinGDPhadenlarged.Governmentpersistedcommitted in providing business friendly environment in order to fascinate foreigninvestment in country, China-Pakistan Economic Corridor (CPEC) is a milestone inthis regard.Moneysupplyhavepositiveandsignificantrelationshipamongtrade.Financialrepressionhadpositiveandsignificances for growth (Yakubu et al., 2018).

Table 9:TodaandYamamotoCausalityresults

	LFPR	GTI	M2	GSIZE	PHCR	TO	TFRI	POLITY2	SDI
LFPR		-0.35 [0.20]	-1.55 [0.49]	-0.42 [0.80]	-2.33 [0.27]	-3.89 [0.10]	-0.491 [0.54]	-0.68 [0.15]	-6.71 [0.03]
GTI	-0.74 [0.89]		-1.04 [0.55]	-0.34 [0.84]	-6.41 [0.00]	-1.05 [0.50]	-4.03 [0.22]	1.16 [0.92]	-10.13 [0.00]
M2	-6.83 [0.05]	-1.18 [0.53]		-0.60 [0.73]	-0.2 [0.85]	-0.73 [0.69]	-0.67 [0.19]	-0.41 [0.62]	-1.01 [0.60]
GSIZE	-1.87 [0.70]	-0.08 [0.91]	-0.77 [0.67]		-28.28 [0.00]	-1.35 [0.07]	-9.00 [0.00]	-2.41 [0.10]	-0.03 [0.92]
PHCR	-0.19 [0.33]	-0.87 [0.66]	-0.02 [0.98]	-1.76 [0.41]		-1.41 [0.92]	-0.87 [0.66]	5.99 [0.07]	-0.06 [0.92]
TO	-1.12 [0.93]	-8.07 [0.08]	-2.33 [0.31]	-2.94 [0.29]	-0.48 [0.71]		-1.72 [0.79]	-14.81 [0.00]	-2.41 [0.28]
FTRI	-2.69 [0.76]	-0.01 [0.94]	-4.99 [0.08]	-1.41 [0.43]	-3.30 [0.19]	-4.33 [0.09]		-0.98 [0.07]	-4.67 [0.09]
POLITY2	-5.57 [0.62]	-1.12 [0.50]	-5.41 [0.06]	-2.49 [0.26]	-0.13 [0.32]	-0.91 [0.22]	-1.26 [0.81]		-1.63 [0.42]
SDI	-6.05 [0.01]	-0.56 [0.74]	-0.07 [0.91]	-0.12 [0.96]	-1.64 [0.41]	-0.45 [0.23]	-2.90 [0.34]	-2.131 [0.337]	

Source: Author's Estimationswith E-views9.5.

Diagnosticstheresearch

The validity of the models are confirms by diagnostic analysis. Present study utilizedtwodiagnosticteststheBreusch-GodfreyserialcorrelationLMtest,andHetroskedasticitytestBreusch-Pagan-Godfrey.

Table 9: Diagnosticresults

| Breusch-GodfreySerialCorrelationLM Test			
	Model 1	**Model 2**	**Model 3**
F-statistic	2.2699 (0.1281)	2.1797 (0.1296)	6.4188 (0.1142)
HeteroskedasticityTest:Breusch-Pagan-Godfrey			
F-statistic	1.1311 (0.3837)	1.0195 (0.4575)	0.7209 (0.5457)

Source: Author's Estimationswith E-views9.5.

The table illustrates theresults ofdiagnostic analysis. LM test for model 1 indicates no serial correlation because theprobabilityvalueis0.1281thatishigherthan0.05.Therefore,noserialcorrelationexistsinModel1. Similarly, the Heteroskedasticityand autocorrelation are not present in model 2 and 3 as well.Stabilityanalysis

Figure 1: CUSUMandCUSUMSquare test

CUSUM	CUSUM SQUARE

Model 1
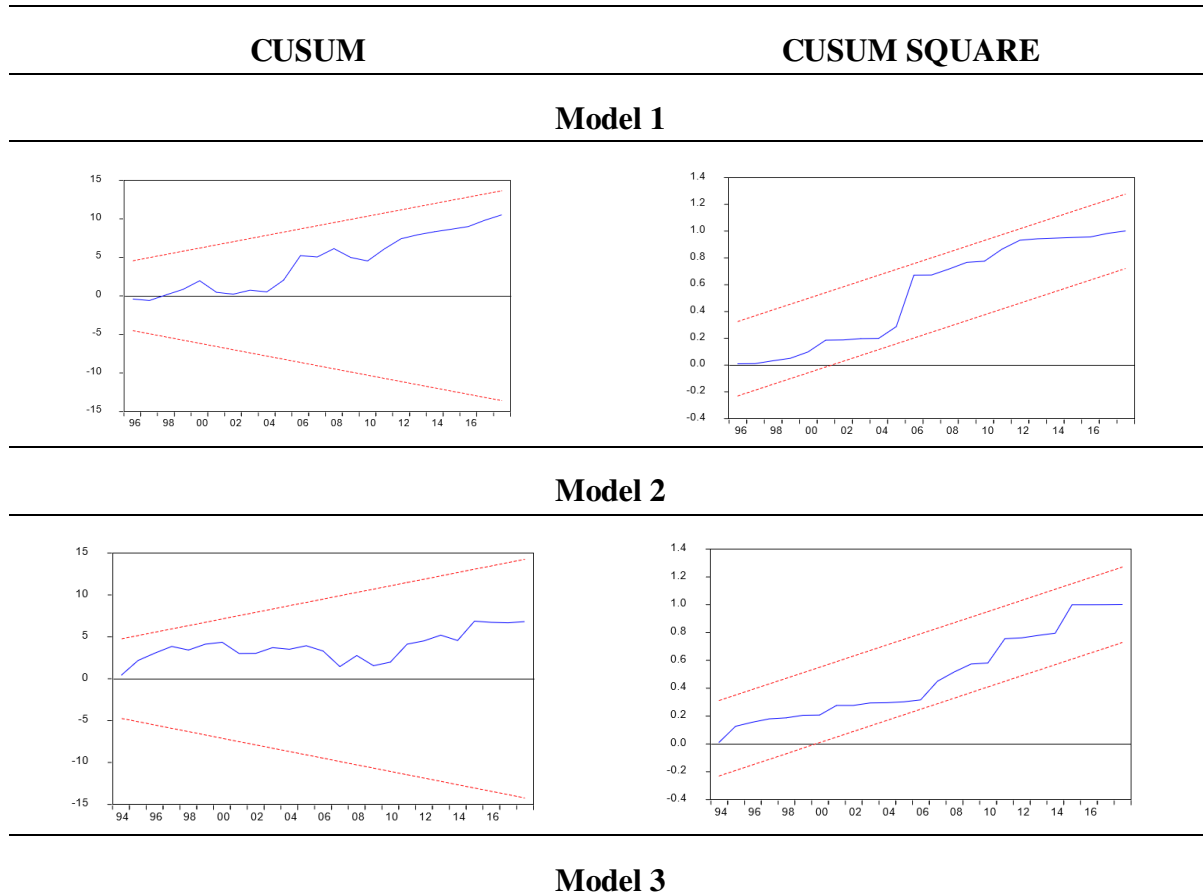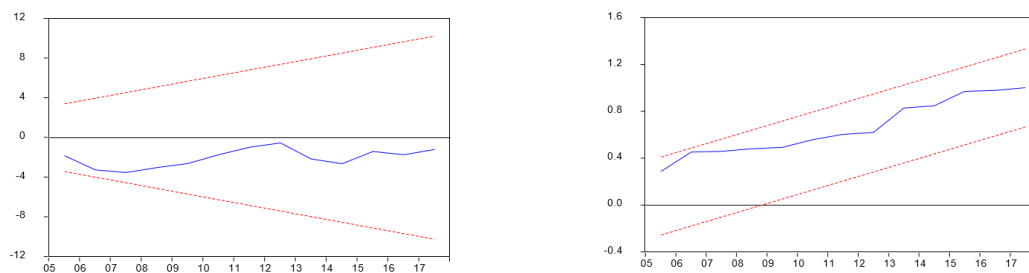
Model 2

Model 3

Source: Author's Estimationswith E-views9.5.

Figure 1 illustrate the results of stability analysis for regression models. It indicates that models used in research arestablebecausetheCUSUMandCUSUMofsquarelineexistbetweenthe5% critical boundary lines.

ConclusionandPolicyRecommendation

Research explored the role of the size government in economic development. The research endeavors to investigate the impact of political instability, size of theGovernment and the economic growth in Pakistan. The data on political instability iscollected from Integrated Network for Societal Conflict Research and the indicator for these variables is Polity II. ARDL and thegrangernoncausalityToda-Yamamotoareused for empirical estimation. It was concluded that political instability has inverse impact onEconomic growth. The size of the government as measured by index and reduction in political instability may have positive impact on economic growth. It was suggested to enhance the role of the government to promote economic growth that further led to economic growth.

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