

Inflation as a Parent of Unemployment: Revisiting the Effects of Unemployment and Inflation on the Economy of Pakistan under Karl Marx's Conflict Theory

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Abstract:

This study seeks to investigate "unemployment and inflation" in Pakistan and their effect on the economy of Pakistan. Unemployment and inflation are the most common problems of our society, which give rise to poverty. This study adopts a qualitative research design which is exploratory in nature; the method used is content analysis with data taken from various sources of internet which include relevant articles, and scholarly books. This study draws upon the theoretical framework of Karl Marx's conflict theory. In this theory, Karl Marx, claims that society is in a state of perpetual conflict because of competition for limited resources. The findings of this study explore that social disturbance like unemployment arises due to domination and power, in the light of Karl Marx's theory "The Conflict Theory". The study reflects that unemployment is the root cause of many other problems in Pakistan. And unemployment harms the economy of Pakistan, but inflation has both a negative and positive effect on our country's economy. Thus, Unemployment and inflation have inversely related to each other however, inflation is the parent of unemployment.

Keywords: Inflation, Unemployment, Conflict theory, effects.

Introduction:

Unemployment basically represents the number of people who want to work but currently do not have a job. There is a quite simple formula for calculating unemployment in the country. "It is calculated by dividing the

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number of people who are unemployed by the total workforce. Work” force means the total number of people who want to work. It excludes the retired, disabled, people who are not currently looking for a position, students, etc.

People are in Pakistan unemployed for so many reasons like:

They leave their current position and searching for another or a new one.

They were laid off and haven't rehired.

The main cause of unemployment especially in Pakistan is the “prejudiced” system which is prevailing in our country. The deserving candidates do not get hired by any organization, but the prejudiced candidates get jobs easily.

Lack of capital creates a shortage of industries in Pakistan.

Increasing the rate of the population.

Lack of Agricultural activities.

Unemployment is the serious issue of Pakistan because job creation is their second priority, “initially the unemployment rate is 0.54% in the 2000s, but it increases to 3.41%”. In Pakistan Unemployment is the root cause of so many other problems in our country (i.e. robbery, street crimes, social evils, smuggling, etc.). The government should take sound steps to solve this problem. The government will not be able to improve the economic condition of the country without handling this problem promptly. It is the most common problem facing Pakistan. The government should make efforts to boost up economic progress & create new job opportunities.

Before unemployment could be controlled the whole economical needs should be fulfilled without corruption from top to bottom and bottom to top among all the members of the society. Pakistan has had its toll offers of good and bad times, and amid the terrible occasions, many individuals endure. Joblessness may lead individuals towards a potential dim way.

Joblessness brings a lot of worries and causes disappointment, nervousness, gloom, sorrow ness and various other negative “enthusiastic issues”. It is normally seen that “emotional wellness of jobless individuals is lower than that individual that have work”. The “Unemployment” puts our public in a delicate way and stops them to use their power for benefits. Peoples cannot have good training and enjoyment for their children and those who are jobless can't buy good things for their children. This is the main reason they become cut off from society because they think they don't have money to please them. And they also think employed people make fun of their joblessness that is the main reason they want to be live alone.

Joblessness is the most common issue the society is facing in the world. The joblessness part is increasing very fast because of source absence, and people are going towards the wrongdoing more and Pakistan facing a lot of problems including unemployment.



Inflation:

Inflation means the general rise in the prices of the products. In this situation, the value of paper money will decrease. Generally, it is calculated on a monthly or annual basis. Deflation is the opposite of inflation. Inflation or deflation badly affects the country's economy. The reason for inflation is usually that circulation of the paper money in the country is growing faster than the valuable products, which is control by the central bank of the country by making suitable monetary policies.

Inflation in Pakistan significantly and negatively affects the economic growth of the country. Inflation harmfully affects the GDP of Pakistan after a certain threshold level. To maintain this situation, we must maintain the relationship between the output and demand of the products. In Pakistan, it might happen because of fewer agricultural products. Today, inflation is one of the significant issues looked by Pakistan. In Pakistan the inflation rate is so high is high. As indicated by monetary overview 2009-10, its rate is 13.3 %, while it was 22.3 % in the last financial year.

The people who are doing additions in cash amounts also brings immediate inflation as more people or especially youth of our country copying the lifestyle of rich countries or elites because of the exhibition effect. On the other hand, there is an inflation in operating graded that more promotes inflation Our population is increasing day by day, so inflation is also increasing quickly in our country.



Relationship between Unemployment & Inflation:

Unemployment and inflation are inversely related to each other. Greater inflation comes with a lower unemployment rate and lowers unemployment rate comes with greater inflation. Unemployment means people are willing to work but do not have a job. Inflation represents the reduce value of money holding by the people & an increase in retail prices. When the demand for the products increases, the prices of the products increase, which boosts the supply of those products and the firm needs more labor for more products which decreases the unemployment rate and vice versa. In this situation, firms get advantage by offering jobs to unemployed people at lower wages and people accept that offer because they know that if they don't someone else will. The trade-off situation will exist between both inflation and unemployment. We could only reduce the one but not both at the same time. *Philips Curve* shows the exact relationship between inflation and unemployment.

Pakistan Economy

The economy of Pakistan on the kingdom is in the number of 25th and in the total output of the nation, it is 42nd. And this is very low according to other countries.

“The Conflict Theory”

"The Conflict Theory" proposed by Karl Marx, claims “society is in a condition of never-ending struggle due to rivalry for constrained assets. It holds that social request is kept up by control and power, as opposed to accord and similarity. As per Conflict Theory, those with riches and influence attempt to clutch it using any and all means conceivable, primarily by smothering poor people and feeble”. "The Conflict Theory" has been utilized to clarify an extensive variety of social marvels, including wars and transformations, unemployment, riches and neediness, segregation and abusive behavior at home”.

Review of the Related Literature:

On this topic, many several works have been done but my study will explore the unemployment and inflation in Pakistan and their effect on Pakistan's economy. That what kind of effect they bear in our country's economy. Also, the domination power revolves around everywhere through Karl Marx's theory.

The other researches include

Bruno and Easterly (1995) explain various issues of “inflation and unemployment and the connection between them and their result shows that there is a negative relationship between these two past level limit of fourteen percent and they also explore that there is no benefit or improvement in development in financial level because of inflation which is increasing quickly”.

Amjad (2005) brings up that administration strategies are expanding work levels in creating nations. The think about discovers holes in required instruction and employed aptitudes are a fundamental driver of unemployment. The examination proposes that adaptable open segments arranging holding work level in agribusiness division, increment in horticulture efficiency, dynamic work showcase approaches, vital aptitudes to works and better work organization framework can expand the level of employed in creating nations.

Zaidi (2005) addresses that because of financial advancement Pakistan is facing the problem of inflation they must control this situation for the

betterment and people live is an affiliate. And further he addresses that in order to examine the unemployment situation you have to use the IMF it is the project which explores better define as the model that notices the activities which are increasing unemployment and tell us about how to control the inflation as well. According to him inflation promotes less effect on unemployment and creates a positive and significant effect on Pakistan financially, so basically, it is very helpful for Pakistan financially.

Catao and Terrones (2003) say, “There is a solid connection between financial shortfall and evolving inflation. The outcomes were come to at experiential and gave quantitative reactions as to the positive connection between financial shortage and inflation. Inflation supposedly influences monetary issues like unemployment and financial interruptions”.

Khan and Qasim (1996) gauge the key determinants of inflation in Pakistan by utilizing the yearly time arrangement information for the period 1971-1995. They divide inflation into nourishment and non-sustenance inflation and propose a solid job of cash supply in quickening inflation in Pakistan. Different variables causing inflation, examined by the analysts, are cash “degrading, esteem expansion in farming part, bolster cost of wheat, import costs and the cost of power”.

An investigation directed by “Qayyum” (2007) indicates that there are auxiliary crisscross and elimination of ill-advised and unplanned future abilities because of that unemployment is some region of Pakistan like in Urban more. According to him in Pakistan, women are more jobless and alone women cannot prepare for the future well.

Rafiq et al (2010) led an investigation of unemployment in Pakistan during the era of nineteen ninety-eight to two thousand eight. “The ex- planetary factors utilized in the investigation included PGR, inflation rate and FDI”. The result of their research explores that “the thing that is affecting positively on unemployment is populace development while inflation is connected to Pakistan’s unemployment level”. Berentsen et al (2010) found that there is a link between unemployment and cash and inflation cause a negative effect on Pakistan and loan cost as well.

Emst (2011), identified various elements adding to unemployment in-and-out- flows, these components incorporate venture elements, financing costs, wage dealing centralization, profitability development, and enactments for work assurance. The examiner proposes to pay support and preparing measures. Openwork administrations can likewise help in the outgrow of unemployment.

Chaudhry and Hamid (1998) tell the main reason for joblessness in Pakistan. And he finds that one of the finest reasons for joblessness is a resource of humans that is of low quality in Pakistan. Hunt (1999) investigates the rate of joblessness for “East German” And it addresses that the rate of joblessness is falling in 6 years from Eighty-nine to seventy-three %. People who are more unemployed are women and those who are 50 years old. Therefore, infants have not affected on joblessness.

Nickell (1997) explores “the relationship between unemployment and work showcase rigidities for Europe and North American areas. The examination infers that joblessness recompenses, absence of collaborations between associations, what's more, managers and a more elevated amount of expenses turn into the real reasons for rising joblessness, while the effect of work foundations on unemployment is observed to be irrelevant in European nations”.

Kamin (1997) finds that a genuine swapping scale is impacting inflation in Latin America and Asian nations. The cheapening of cash builds expansion in Latin America. Asian economies experienced expansion as a contrast with Latin America due to their monetary and auxiliary roots. The examination recommends swelling and genuine conversion scale control one another successfully.

Kingdon, et.al. (2001) investigate the unemployment rate in South Africa by “utilizing the Probit display”. He utilized a two-family unit which is national for the half-century of nineteenth in his research. The findings of the result explore that the unemployment rate in Africa is increasing because of age, locations, and races as well.

Izraeli and Murphy (2003) explore the “impact of the level of mechanical broadening on joblessness rates and per capita wage in seventeen states. The finding of this examination demonstrated that a state with a more expanded base has brought down joblessness rate”.

Kupets (2005) “considered the determinants of Unemployment in Ukraine between 1997-2003”.

Chang (2006) considered the connection between financial development, exchange, joblessness and outside direct interest in Taiwan. He connected the VAR strategy for difference deterioration and furthermore utilized motivation reaction work examination. Discoveries demonstrated that fare and financial development emphatically influenced FDI inflow however trade extension was influenced contrarily on FDI out stream. The research verified that “there was no connection between FDI and ab joblessness. The negative connection between financial development and joblessness was affirmed”.

Marika, et al. (2007) examined work showcase discover the connection among “capital stock” & joblessness. And also, single condition joblessness demonstrates. Financing costs and speculation proportions were utilized as real factors. They found that capital stock is the key determinant of joblessness.

Mishkin and Posen (1997) inspect inflation focusing in New Zealand, Canada, Joined Kingdom, what's more, Germany. The examination finds that fitting adjusting of straightforwardness and adaptability in fiscal strategy assumes a noteworthy job in the powerful execution of inflation focusing on. The examination infers that inflation focusing on appears to be effective in Germany, Canada, and the Joined Kingdom yet the case is inverse if there should arise an occurrence of New Zealand.

Samuelson and Solow (1970) they are the only one who agreed with Phillips hypothesis And they investigates the inflation and unemployment ratio and their interconnection with each other in the US and he found that there is an inverse relationship among them and one more research examined by Solow (1970) and Gordon (1971), and the results shows that there is a negative trade-off connection between inflation and joblessness and they use the data of macroeconomic.

Discussion:

Karl Marx in his theory, “The Conflict Theory” explains that the world is controlled by domination or power and power symbolizes richness the more one is rich the more one has the power to survive or live a happy life. “Rich people either deserving or not get job easily by giving money. And they also can not be affected by inflation because they have enough money to buy expensive things. But poor people don't have money to buy expensive items or to get the job by giving Money. That's is the main reason that in today's world they Poor's are more unemployed as compared to rich people and have been utilized to clarify an extensive variety of social marvels, including wars and transformations, unemployment, riches and neediness, segregation and abusive behavior at home. So that's why poor people when they don't get jobs, they engaged in other wrongdoings such as robbery' theft ' drug-addicted to' Aggressive behavior at home and they committed suicides and in today's world most candidates burs their degrees as well”. Because of the depression, they also became criminals and kill they riches people as well because of conflict and jealousy...

The general population who are rich and intense and have a lot of cash land position effortlessly by bribe either meriting or not on the grounds that in Pakistan prejudice and money framework is winning in our national framework is presently corrupt. and then again needy individuals they

meriting competitors don't employ by any organization. that is the principle reason destitute individuals they confronted the social issue like neediness and joblessness. What's more, destitute individuals they don't have enough cash to eat sustenance so they drew in into social wonders' and general ascent in the costs let them more baffled as a result of the absence of the cash And this failure is falling prey to brutality, robbery' burglary' forceful conduct ' sedate dependent, and other wrongdoings.

Unemployment and its Effects on the Economy of Pakistan:

When the economy of a country is growing exactly the government will be able to provide jobs to general masses. When the earning of people increases ultimately their purchasing power increases. It means the flow of capital exerts in a different sector. People spend money on their daily necessities it creates a positive effect on GDP. While in the case of unemployment it will be reversed. When the unemployment rate is increased, the economy of the country already increases because there is a lot of needs and living style is disturbing. It obvious when the unemployment rate increased and the people in the country didn't get jobs and they are not working for the country so the economy gets affected if labor did not work so the economy decreased any country progress only when people of the country are employed more.

All the working hands in the country would not be used if the people are unemployed. In Pakistan there are a lot of intelligent people if they worked for the country, the country will progress a lot, but the reason is they are jobless, and which would cause more poverty and the economic effect on it a lot. Unemployment is the state of lack of jobs or any other works which provides income so joblessness is directly proportional to the failure of the economy of Pakistan as the population rate of Pakistan is very high and the financial facilities are less that's is why the resources are used but there is no equal amount of income for the use of the resource. Slowly and gradually the economy of Pakistan is weakened because there are no proper taxes regarding the use of resources.

Inflation and its Effects on Pakistan Economy:

The Lifestyle of individuals: inflation is basically broken people's lifestyle because of this they are paying more for the things that are becoming expensive day by day.

“Auxiliary measures from the government” The Pakistani government should keep the prices of the product in control, if the control the prices and arrange the budget according to the poor people but in Pakistan, these problems never faced this procedure of arranging things or product according to the demands of the poor public.

More addition to the cost of oil and Gas: In Pakistan, the most essential thing is in the ascent of the costs of oil and gas extract obligations and the expansion in the utility levy.

It is a reason for the unfavorable balance of exchange and installment. Inflation expands the rate of intrigue. It makes a ton of social disasters. It is difficult for consumers to buy more merchandise. It creates terrible consequences for the poor work constraint. Inflation decreases the living standard and purchasing power. It is unsafe for creditors. Inflation lessens the purchasing power.

A sensible inflation rate: About 3 to 6 % rate of inflation is increasing more and that's why it becomes sensible, sensible for the people live and their way of living. Increasing inflation is at risk for their life.

Putting poor behind and rich into the front which is the main reason for the hole between the rich and poor people. This is originated from the addition in costs and it becomes a necessary part of the inflation, finishing poor life more. They are giving more jobs and pay to rich people as compared to the poor. That's why the poor are more disheartens. And rich are not getting affected by inflation they have more and enough money to use.

Inflation can be very dangerous for the economy of Pakistan because it is crossing the limits every year. It is coming like floods and storms every year. But Pakistan economy is very low they must make more effort for improving the situation of Pakistan economy and they must control the inflation, to save the life of poor people but also affect positively:

rate is 2% to 4% so

There is an increase in production due to expansion.

Inflation expands employment opportunities in the nation.

Inflation improves the procedure of economic advancement.

There is more investment in the nation at the season of expansion.

“Inflation is wherever in an economy. Its rate is high in creating nations and is low in poorly created areas. The viable activity of financial and monetary approach is fundamental to control the expansion”.

Conclusion:

The present paper addressed the unemployment and inflation issue in Pakistan and their effect on Pakistan's economy under the theoretical framework of Karl Marx's conflict theory. The findings of the study indicate that the disturbance which arises due to conflict and domination through unemployment and inflation in Pakistan is turning into different disastrous social problems such as poverty, unequal division of society

into substructure and super structure of society which ultimately leads to the creation of proletariat and bourgeois classes in society. Hence, unemployment is the root cause of many other problems in Pakistan and has a negative impact on the economy of Pakistan; however, inflation has both negative and positive effects on our country's economy. Therefore, unemployment and inflation have inversely related to each other.

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