**Ans6:** a) An equity-efficiency tradeoff is when there is some kind of conflict between maximizing economic efficiency and maximizing the equity (or fairness) of society in some way. When and if such a trade-off exists, economists or public policymakers may decide to sacrifice some amount of economic efficiency for the sake of achieving a more just or equitable society.

An equity-efficiency tradeoff results when maximizing the efficiency of an economy leads to a reduction in its equity—as in how equitably its wealth or income is distributed.

equity-efficiency trade-off, which states that greater efforts to make income more equal will result in less efficiency, meaning less rapid economic growth. The argument is that material incentives are what draw forth productive and entrepreneurial effort. Thus vigorous efforts to redistribute income reduce the rewards for work and entrepreneurship and thus reduce the rate of economic growth. Such arguments have become influential in many countries to scale back redistributive programs. This view had its most vigorous advocates among supply-side economists associated with the “Reagan revolution” in the United States and advising Margaret Thatcher in Great Britain

b)

Ans 1: Although the United States was almost a purely laissez-faire economy during much of the nineteenth century, the role of the federal government increased in various stages, with the biggest increases occurring during the New Deal of the 1930s and the Great Society initiatives of the 1960s. Since then the U.S. economy has experienced deregulation and other moves back toward laissez-faire, although nearly a third of the economy remains directed by some level of government. Thus the United States definitely has a mixed economy despite its strong orientation to market capitalism. Despite its advantages of solid growth and technological progress, the United States exhibits the darker side of market capitalism. It has higher levels of income and wealth inequality than other high-income countries and a higher poverty rate as well. These problems are exacerbated by its historical peculiarities, especially the legacy of slavery of African Americans and the conquest and suppression of Native American Indians. However, there are signs of some improvement in the relative status of minority groups and also of women in the U.S. economy as they take advantage of its dynamism within an increasingly ethnically diverse and open society. The U.S. economy is also shadowed by certain longer-term problems. Its increasing level of foreign indebtedness is a barely noticed problem that arises as much from other countries’ need for Americans to buy their goods as from Americans’ own desire to do so. The necessary move to achieve a better global balance may yet trigger profound economic difficulties at the global level. But the U.S. economy’s ability to move constantly in new directions, adapt to new situations, and create new institutional forms and technologies ultimately bodes well for its long-term future.

Ans 2: Great Recession, economic recession that was precipitated in the United States by the financial crisis of 2007–08 and quickly spread to other countries. Beginning in late 2007 and lasting until mid-2009, it was the longest and deepest economic downturn in many countries, including the United States, since the Great Depression.

Due to the surge of the Japanese bubble, the USA started to have a new technology with high technology advancement in late 1990s. It reasserted the primacy of the U.S. position. But this development was also accompanied by a speculative bubble in the U.S. stock market that peaked in early 2000.

Ans 2: The Great Recession marked a significant decrease in the economic activities

in major parts of the globe during 2007-2009 and in some countries it

extended even more.

However its effect wasn't felt equally everywhere in the world. The recession

was most severe in developed economies like the USA, Europe, and few

countries of South America. In Asian economic giants like China , India ,

Indonesia's recession had a less impact. Whereas Australia was completely

unaffected and even showed a considerable growth during the worldwide

recession. While in Greece its effect continued till 2016.

The Federal lowered a key interest rate to nearly zero to promote liquidity and, in an unprecedented move, provided banks with a staggering $7.7 trillion of emergency loans in a policy known as quantitative easing.

Not only did the government introduce stimulus packages into the financial system, but new financial regulation was also put into place. The United States' larger banks to merge and form larger institutions. In 2010, President Barack Obama signed the Dodd-Frank Act to give the government expanded regulatory power over the financial sector. The act allowed the government some control over financial institutions that were deemed on the cusp of failing and to help put in place consumer protections against predatory lending.

Ans 3: Marxism-Leninism is an adaptation of Marxism developed by Vladimir Lenin, which led to the first successful communist revolution in Lenin's Russia in November 1917. As such, it formed the ideological foundation for the world communist movement centering on the Soviet Union. The term Marxism-Leninism was most often used by the Soviet Union and its supporters who held that Lenin's legacy was successfully advanced by Joseph Stalin, although Trotskyists and Maoists are also technically Marxist-Leninists. The term was also used by Soviet Communists who repudiated Stalin, such as the supporters of Nikita Khrushchev. Contemporary Marxist-Leninist regimes today include Vietnam, Laos, and Fidel Castro's Cuba. China and North Korea have each sought to distance themselves somewhat from Marxism-Leninism but have not repudiated the basic principles of the Communist revolutions that created these governments.

Ans 4: The new traditional economy depends partly on appealing to moral incentives. Islam and

Most great world religions do not completely deny the pay-for-work principle that undergirds material incentives. But these belief systems also see limits to this principle, both

from the need to provide charity for the poor and from the general argument that excessive

concentration on acquiring material goods distracts from spiritual matters. Arguably in the

extreme case of Afghanistan under Taliban rule, moral incentives became especially

important, with the idea of martyrdom driving many actions.

Ans 5: The United States is the leading world economy in aggregate and technological terms as

well as the premier model of a market capitalist economy. Indeed, much of the international

controversy over globalization involves widespread perceptions that the movement is really about pressuring other countries to imitate the U.S. model.

At once a new society and the oldest continuously existing constitutional republic in the

world, the United States may have the world’s most dynamic and flexible society and economy. Regularly altered by wave after wave of immigration from an increasingly diverse

array of nations, with its established institutions of contract and property and evolving

corporate forms, patterns of standardization and mass production, and a tradition of entrepreneurship, the U.S. economy is constantly renewed and transformed. Its technological

leadership is firmly based upon strong basic science and solid research and development

within a financial and institutional framework well suited to transforming new discoveries

into implementation and application.

Its higher educational system is among the world’s best, with very high rates of participation, despite concerns about future elementary and secondary educational trends

Ans 6

(a) Equity-Efficiency tradeoff -

1. This tradeoff becomes more prevalent in income redistribution and social safety

nets policies.

2. To employ this tradeoff, we need to first assess how unequal the current

distribution of resources is.

3. In essence it means that greater efforts to make income more equal will result in

less efficiency, meaning less rapid economic growth.

4. There are multiple approaches like Utilitarianism and Rawlsianism which have

different views on this, whilE Rawlsianism delves on this and says that for the

benefit of the most marginalised, equity is more important even if it comes at the

expense of efficiency, while Utilitarianism is based on welfare of the masses as a

whole and ergo, does not rule out the equity-efficiency trade off completely.

5. Most of the economic planning occurs keeping this tradeoff in mind and how it

would affect the people. For example, in Public Distribution systems, if foodgrain

distribution can be “equitable” without much degradation of “efficiency”, (which

might arise due to storage/transportation constraints), we say that such policies

are indeed good for the betterment of the people.

(b) Institutional Possibilities Frontier -

1. This is a quantitative/graphical method to anlayse and visualise the new

comparative economics framework to compare economies in the sense of social

losses due to private vs state predation, on the y and x axes respectively

2. A 45 degree line is drawn for (just like a budget constraint in microeconomics), an

institutional possibilities frontier curve is them drawn whose point of tangency

with the 45 degree line gives the optimum level of state vs private predation

3. With an increase in private predation, we see more private orderings and

independent judges, which might create a turmoil in the socio-political order

4. With an increase in state predation, a rise in regulatory state and state ownership

is seen, this leads to a more socialist economy

5. The sweet spot lies on the point of tangency where the level of private and state

predation is optimal and in accordance with social harmony

ans5)

**Ye ADARSH LODU KA HAI ISE MAT LIKHNAAAAA**

a. The Bill of Rights guaranteed important civil liberties seen as characteristic to market capitalism (although initially only for white males in practice).

b. Trade protectionism between the states was forbidden.

c. During Washington’s presidency (1789–1797), his first Secretary of the Treasury, Alexander Hamilton, developed the national economy by establishing the First National Bank that stabilized the currency

d. Simultaneous passage of a constitutional amendment to allow the levying of the federal income tax and the establishment of the Federal Reserve System.

e. Development of transportation infrastructure such as canals and railroad provided crucial support for the expansion of American agricultural production, which became a leading export sector.

f. The separation of the judiciary as the third independent pillar of democracy helped enforce property rights and uphold the market capitalism.

g. Passing of the Sherman Act to break up various trusts and monopolies which ensured high competition

h. A profoundly important development to market capitalism was the laying of the legal foundation for the modern limited liability corporation by rulings of the U.S. Supreme Court. This established the idea of a corporation as a juridical person (entity) separate from its owners.

i. The industrial corporation (the managerial, line and staff hierarchy) initially emerged in the railroads that would span the continent in the latter part of the nineteenth century. Arising from the standardization of the American system, “Fordist” assembly line production first emerged in the U.S. automobile industry, the sector in which the modern multidivisional corporation would develop, with the rise of the General Motors Corporation and its multidivisional hierarchy.

j. US also set up WTO which helped globalisation of the world.