

Midterm exam



**ASSIGN
BUSTER**

Answer The traditional approach to economic framework in the post war era (1945-1970) was largely dominated by Keynesian principles. The post WWII period was significant in its decentralization of European power and emergence of America as superpower of the world. It was during this time only that US Dollar was chosen as key currency to fix the exchange rate in a new system of economic stabilization process that was implemented after the WWII because at that time, United States had a great potential for economic growth and opportunities. The Countries were ravaged by the WWII and emergence of international bodies like United Nations, IMF etc. were primarily formed to support the rebuilding processes of the nations and provide a world forum that can provide mediation. The central banks play critical role and national political and economic agenda main revolved around low interest rates, regulation of industries, labor unions to strengthen the business environment with the countries.

Neo-liberalism, on the other hand, can broadly be defined in terms of emerging new economic paradigms in the changing socio-political scenario across the world that favors opening of domestic market for global business powers. But 1975 onwards, the world economy has increasingly become more market driven and trade across geographical regions has become more attractive to developed and developing countries.

Answer 2

In the new-liberalism era, the economic conditions had drastically changed through de-regulation of industries, privatization and curb on union power. America came into the forefront of global political and economic front. With Ronal Reagan, as President of America in 1980, the demise of old economic order became a certainty. The role of central bank was significantly curbed

and privatization became the major propellant of new economic order. The strong economy and advanced stature of United States, subsequently, made sure the success of US Dollars as Global Currency. This system greatly facilitated international trade and investment but restricted the capital movement so as to maintain certain extent of control by few dominant countries (Harvey, 2005).

Answer 3

The advent of neo-liberalism primarily relied on economic liberalization. It promoted more capitalistic approach that favored the rich and made the poor nations as the scapegoat for getting exploited by the developed countries and multi-nationals. The monopoly of American influence in all the leading international financial institutes like World Bank and IMF, have followed the American policy of one-way transparency whereby the developed and under-developed countries, must open their market and relax their laws to suit the interests of the multinational companies.

Answer 4

While the post war order was more focused on government initiatives for providing and creating wider business opportunities through credit facilities from the central banks, the neo-liberal order believed in liberalizing the economic policies to promote entrepreneurship through expansion of trade across borders. The key features of neo-liberal order therefore, were market oriented and gave considerable leverage to free market and free trade policies that promoted the liberation of industry from the institutional framework which was hitherto intrinsically linked with the government regulations. With rapid globalization and fast developing economies of Asian region, the concept of neo-liberalism has become more meaningful and

encourages equitable sharing of resources across the geographical boundaries. Indeed, the changing dynamics of world polity necessitate common business objectives where under-developed and developing nations are seen as allies within the wider imperative of economic liberalization.

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Reference

Harvey, David. (2005). *Brief History of Neoliberalism*. Oxford University Press.