

to take decisive actions against militant groups attacking its troops in and around Afghanistan. Thus, withholding aid was the only logical step available to them.

The over simplifying assumption of the efficient utilization of funds by the crises ridden economy was the driving force of the above model. Unfortunately, its validity seems to be highly questionable in reality. As they say, 'Beggars can't be choosers'. Hence, it is in the interest of the inferior country to ensure that there are hardly any lapses and certainly, no mismanagement of funds.

The Economics of Love

Upasana Majumdar
III Year

During the Valentine's Day week, everything is packaged and painted in the colours of love- from discounts on diamonds to couple passes in clubs. Love, therefore does play a role in encouraging consumption and driving the economy, but is there any economic principle that could drive love?

The real subject of economics isn't supply and demand, but people, and to love liberty is to love people and all that is best in them. And it is something that can only be done when we are free to choose. As our fine professors of economics tell us, economics is the study of the allocation of scarce goods and services. What could be scarcer than true love? It is rare, hard to come by and often fragile. At heart, the study of economics is all about maximising utility or "happiness". It is based around the premise

that left to their own devices, individuals will come together to make mutually beneficial trades.

The market of love

It was an American economist, Gary Becker, who first began extending these principles from markets for goods and services to the market for potential partners. He argued that the market for love and marriage was like any other, with individuals coming together to make mutually beneficial trades and to sign a contract ensuring future beneficial transactions. And because individuals compete for mates, a truly competitive market for marriage partners exists. Assuming there are benefits from marriage - a stable relationship in which to care for children for example - there are risks from leaving marriage too. As more people couple-up, the pool of potential partners diminishes. But perhaps, grandma is right- "if you don't find "him" when you are young enough, chances are, you won't find him". Hence, don't shop around for a mate forever as there will only be a diminishing pool to choose from. Go with someone with the "highest weighted average" of the qualities you are looking for...!

Now that it is decided to get down with this business, given below are the costs involved:

Transaction costs involved in searching for a partner - all those flowers, phone calls, gifts, dinner dates etc.

Opportunity costs - All the fun and hobbies forgone because of being in a relationship.

Sunk costs - All the investments on the person which are lost if it does not work out, in other words, the 'break-up' costs.

If the relationship gets serious, then

remember, marriage is a long-term investment. Choose someone who you think would make a good business partner to avoid the replacement cost for another partner. To get the relationship started, a proposal game is explained below:

The Proposal Game

Suppose the person required is found... finally! But, who would bell the cat and say the 'L' word first. A game theory analysis of the same yields a very interesting result.

Why no one wants to say 'I love you' first

Game theory: This theory helps you decide on the "best course of action following your other game partner's choice" – with one important caveat: it doesn't necessarily yield the 'best' possible outcome, just the most logical.

	Partner says I love you	Partner stays silent
You say I love you	Romantic bliss	You feel rejected
You stay silent	Partner feels rejected	Dignity intact (Dominant strategy)

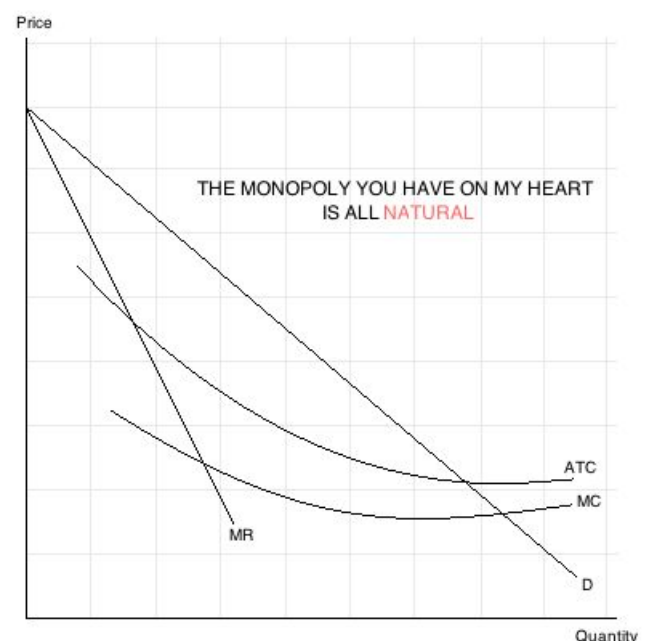
So for example, in the case of whether or not to say 'I love you' in a new relationship, according to Nobel-prize winning economist John Nash, the dominant strategy (i.e. one that leads to minimal loss no matter what the other person does) is to stay silent (lest one person confesses their love and gets rejected). Even though the "best possible outcome" is actually for both parties to take the plunge and say how they feel. Thus, dominant strategy is indeed the safest.

Monopoly benefits

The matters of the heart are truly an area where all is well if there is a monopoly of a

single person in your life. Perfect competition (i.e. having a large number of people vying for your attention) would yield zero profits, whereas, higher the monopoly power, more is the profit in this market.

In every long-term romantic situation, returns are greater when there is a monopoly. If you have to share your love with others, the whole thing falls apart. You want to have monopoly bonds with your long-term partner. At least most situations work out better this way. In other words, I conclude that cheating will end the game (Cheating=game over).



Thus, I assume that for the sake of the game, neither of the two partners will cheat on the other. When it comes to deciding whether to stay or go, economists say we shouldn't be held back by 'sunk costs' – in other words, losses that have "already been incurred and cannot be recovered". One of the most common reasons for staying in a dysfunctional relationship is the fear of "losing everything you've invested" in it. But in doing that, argues Smith, we are missing

out on the future opportunity of happiness. Thus, I conclude: Try your best to make it work. But if you are the only one trying, then it's the shut down point.

Disclaimer: This article assumes that all humans are 'homo economicus' i.e. in all possible situations, given the constraints, they would maximise their benefits. For all those, for whom love is replete with all the Yash Raj Films mushiness, a heartfelt apology, if this article hurt your sentiments.

References:

1. *A Theory of Marriage* by Gary S. Becker
2. *Why Smart women go for jerks.*
<http://www.dailylife.com.au/life-and-love/why-smart-women-go-for-jerks-20120607-1zyh5.html>

High Taxes in the Name of Charity

Ashima Pahwa

**M.A. Economics, II Year
Delhi School of Economics**

According to the Black's Law Dictionary, a tax is "in a general sense, any contribution imposed by Government on individuals, for the use and service of the state, whether under the name of toll, tribute, duty, custom, excise, subsidy, aid, supply, or any other name." Libertarians consider taxes to be a form of organized theft by the state. Socialists, on the other hand, defend the imposition of taxes on the account that they are necessary to reduce inequality in the society. Monarchists call taxes a "necessary evil". They argue that the state should exist only to protect its citizens from theft, aggression, breach of contract and fraud;

therefore they are in favour of minimal taxation imposed by the state on its citizens.

What about those taxes which are imposed on the society in the name of the greater good? Welfare schemes such as universal health care, unemployment benefits, distribution of free laptops to students, financial aid for single mothers, and free education to minorities etc. are all financed by the taxpayer's money. Everybody feels morally obligated to help others but should they also be legally obligated to do that? Should the state have any right to force people to help those who are less fortunate?

Let us consider 3 scenarios. Suppose, a man 'X' has bought 10 apples from the market and he is going back home. On his way he meets a person 'Y'.

SCENARIO 1: Y snatches the bag of apples from X and runs away.

SCENARIO 2: Y tells X: There is an old man who sits outside the temple. He has not eaten anything for 2 days. Can you please give him two or three of your apples? He might be very hungry and has nowhere to go. Everybody in the society is doing their bit to help him. You can donate anything in cash or kind.

SCENARIO 3: Y tells X: There are so many people who need our help. You must give three of your apples to me so that I can help such people who can't afford even two meals a day. If you don't give anything, I have the authority to take away all your apples. You can also be imprisoned for not giving anything.

In SCENARIO 1, X has been robbed. Y is a thief. Y would never come in front of X again for the fear of being handed over to the police.