

**12-10-2022**

## **Nobel Prize in Economics 2022**

### **Why in Newspapers?**

The Royal Swedish Academy of Sciences "for research on banks and financial crises" Ben S. Bernanke (Ben S. Bernanke), Douglas W. Diamond (Douglas W. Diamond) and Philip H. Dybvig have been awarded the Sveriges Riksbank Prize in Economics for the year 2022 in memory of Alfred Nobel.

### **Quick Issue?**

- The 2021 Nobel Prize in Economics goes to Canadian-born David Card and the other half jointly to Israeli-American Joshua D. Angrist and Dutch-American Guido W. Imbens.
- The Nobel Prizes for Literature, Chemistry, Physics, Medicine and Peace have already been announced for the year 2022.

### **Historical Background?**

- Unlike other prizes, the Prize in Economics was not established in 1895 by the will of Alfred Nobel, but by the Swedish central bank in his memory, with the first winner being chosen in 1969.
- Ben Bernanke analyzes the Great Depression of the 1930s, the worst economic crisis in modern history.
- Through statistical analysis, Bernanke demonstrated how failing banks played a decisive role in the global depression of the 1930s.
- He explained how the continuance of bank facilities was a deciding factor in this deep and prolonged crisis.
- He also helped in explaining the importance of smooth regulation of the bank.
- Bernanke was the head of the US central bank, the Federal Reserve, when the 2008 crisis hit and helped "policy-making with his research knowledge".
- Both Diamond and Diebwig worked together to develop theoretical models to understand why banks' presence is necessary, how their role in society makes them vulnerable to rumors about their imminent collapse, and how society can understand this. How can I reduce the vulnerability? These insights lay the foundation for modern bank regulation.

### **Other Key Facts?**

#### **About the Nobel Prize in Economics**

- In 1968, the Sveriges Riksbank (Sweden's central bank) established the award in memory of Alfred Nobel, the founder of the Nobel Prize. It is also called the Nobel Prize for Economics.
- Between 1969-2022 54 prizes have been awarded in economics.
- 25 prizes in economics have been awarded to only one awardee.
- So far 2 women have been awarded the Nobel Prize in Economics - Elinor Ostrom in 2009 and Esther Duflo in 2019.
- At the age of 46, Ester Duflo was awarded the prize, the youngest ever Nobel laureate in economics.
- Leonid Hurwicz was 90 years old when he was awarded the award.



- He presented a solution to the bank's vulnerability in the form of deposit insurance from the government. According to this, when depositors come to know that the state has guaranteed their money, they do not have to go to the bank as soon as the rumours about the bank start.
- Diamond also showed how banks perform socially important functions. As an intermediary between the savers and the borrowers, the banks are well suited to assess the creditworthiness of the borrowers and ensure that the credit is used for good investments.

### Other Key Facts?

#### Indian Nobel Laureate

- In 1998, Amartya Sen was awarded the Nobel Prize in Economics "for his contribution to welfare economics".
- In 2019, Abhijit Banerjee was awarded the Nobel Prize in Economics along with his wife Esther Duflo and Michelle Kramer of Harvard University for their experimental work on reducing global poverty.

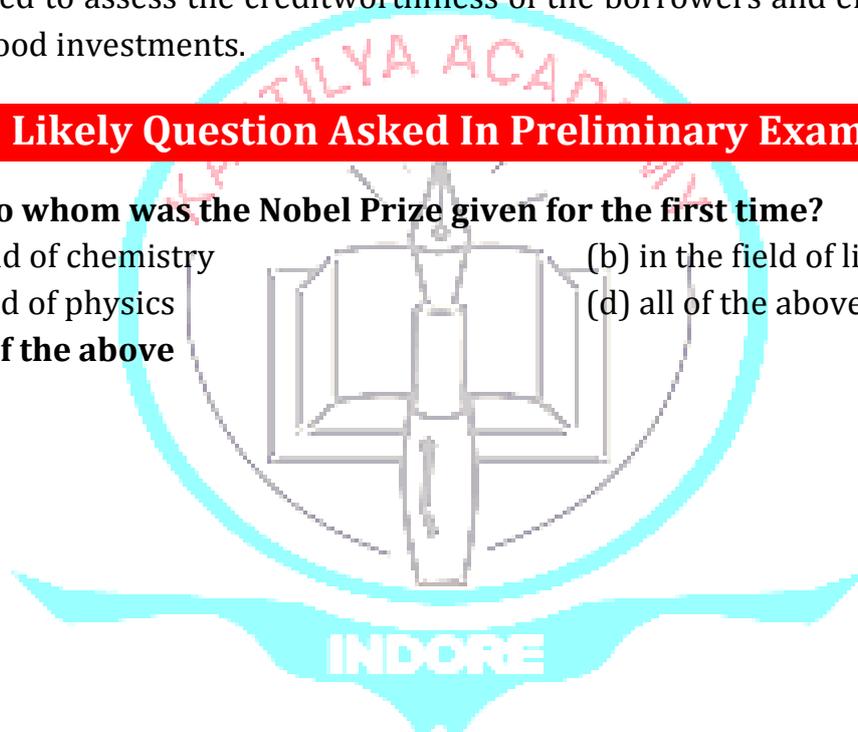
### Likely Question Asked In Preliminary Exam

**Que. When and to whom was the Nobel Prize given for the first time?**

- (a) in the field of chemistry
- (c) in the field of physics

- (b) in the field of literature
- (d) all of the above

**Answer - (d) All of the above**





## Indestructible Brotherhood-2022 War Exercise

### Why in Newspapers?

Kyrgyzstan has canceled the CSTO's Indestructible Brotherhood-2022 military exercise, which was scheduled to be held in the Central Asian country from October 10 to 14.

### Quick Issue?

- Kyrgyzstan, a former Soviet republic, cancelled the "Indestructible Brotherhood-2022" command and staff exercise a day before the start of multinational military exercises in its territory.

### Historical Background?

- The exercise is a joint military exercise involving military personnel from the Collective Security Treaty Organization (CSTO), which includes Russia, Belarus, Armenia, Kyrgyzstan, Kazakhstan and Tajikistan.
- Non-member states like Syria, Serbia and Uzbekistan were also invited as observers for this military exercise.
- The multilateral military exercise was scheduled to take place in the Eastern Highlands of Kyrgyzstan.
- The cancellation of the Indestructible Brotherhood-2022 is the latest display of ongoing diplomatic tension between the members of the CSTO.
- In September 2022, Armenia did not participate in the 2-week long joint CSTO military exercise organized by Kazakhstan to protest the lack of support for the CSTO during the violent border clash between Armenia and Azerbaijan.
- CSTO responded to Armenia-Azerbaijan border tensions by sending only fact-finding missions to the border instead of providing military assistance requested by Armenia.
- The coalition has, in the past, failed to respond to several security crises among its member states.
- For example, when two of its members - Kyrgyzstan and Tajikistan - were involved in a three-day border conflict in 2021, it did not intervene.

### **Other Key Facts?**

#### **Collective Security Treaty Organization (CSTO)**

- The Collective Security Treaty Organization (CSTO) with headquarters in Moscow is an intergovernmental military alliance established as an alternative to the US-led North Atlantic Treaty Organization (NATO).
- **Who are the members of CSTO?**
  - Russia, Armenia, Tajikistan, Kazakhstan, Kyrgyzstan and Belarus.
- **When was the Collective Security Treaty signed?**
  - The Collective Security Treaty or the Tashkent Treaty was signed on 15 May 1992.
- **Who is the present Secretary General of CSTO?**
  - **Stanislav Zasi**
- **Which countries are former members of CSTO?**
  - Georgia, Azerbaijan and Uzbekistan



- Currently, the coalition is focused only on increasing security preparedness for the potential adverse consequences of a US military withdrawal from Afghanistan.
- Currently, Russia has deployed around 5,000 troops along Tajikistan's border with Afghanistan.

### Likely Question Asked In Preliminary Exam

**Que. In whose memory the Nobel Prize is given every year?**

- (a) Abraham Nobel (b) John Nobel  
(c) Alfred Nobel (d) John Frederick Nobel

**Answer - (c) Alfred Nobel**

**Que. What did Alfred Nobel discover (for which he is known)?**

- (a) Dynamite (b) Radio  
(c) Telescope (d) Phone

**Answer - (a) Dynamite**

**Que. When was the Nobel Prize established?**

- (a) In the year 1779. (b) In the year 1675.  
(c) In the year 1696. (d) In the year 1895.

**Answer - (d) In the year 1895.**

**Que. When was the Nobel Foundation established?**

- (a) in 1900 (b) in the year 1910  
(c) in the year 1895 (d) in the year 1795

**Answer - (a) in 1900**

**Que. Who selects the Nobel Prize winners in Physics, Chemistry and Economics?**

- (a) Royal Swedish Academy of Sciences  
(b) Nobel Assembly at the Caroline Institute, Scottholm, Sweden  
(c) Swedish Academy, Scottholm, Sweden  
(d) Norwegian Parliament

**Answer - (a) Royal Swedish Academy of Sciences**