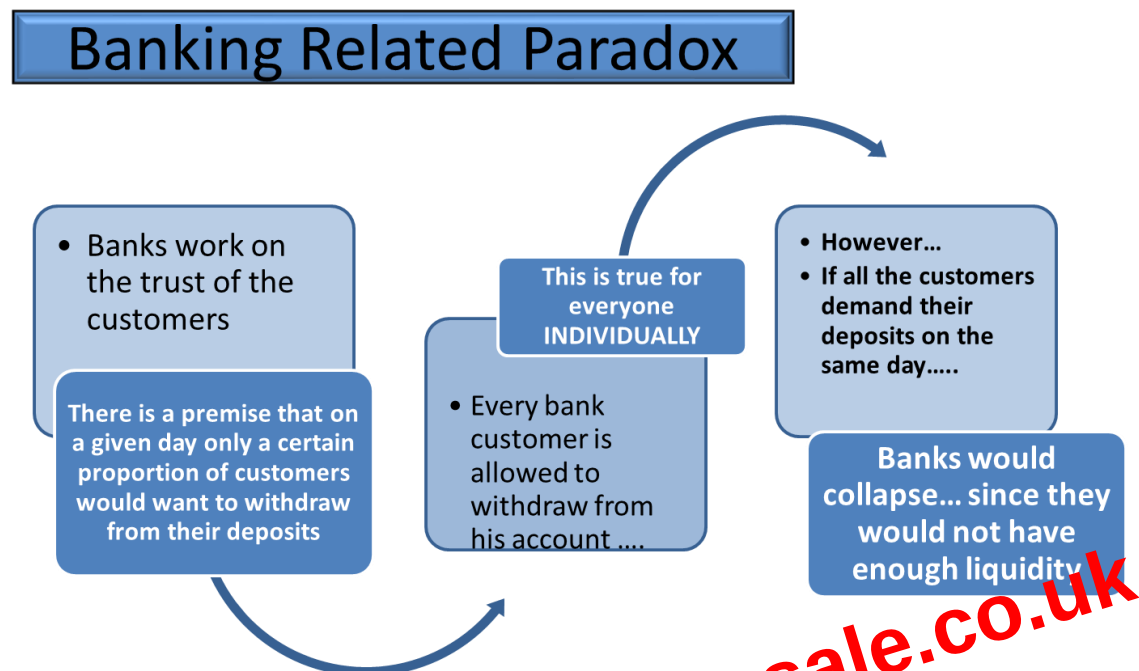


**Paradox related to the banking sector-** Banks run on the principle of trust that each of the depositors can withdraw his money at any point in time. While it is true for each depositor individually, if all the depositors demand their deposits at the same time, the banks would collapse. Thus, the rule which is true for everyone individually, may fail if applied collectively.



1. **Paradox of Thrift/ Savings-** Saving is a **private virtue** but a **public vice**. It is considered to be beneficial or good for the individuals to save; however if all people save, then there is less **spending** resulting in **low demand** for goods and services. This further leads to low investment and production resulting in **less job opportunities**. Thus, more savings in the economy will result in adverse situation for the economy as a whole.
2. **Paradox of Wage Cut/ Wage Employment-** According to classical economist **A.C. Pigou**, if there is unemployment in the economy, a reduction in the wage rate i.e. a wage cut will create more employment and solve the problem. However, according to **Keynes**, the wages are income for the workers. So, if wage rate is reduced for the entire economy, income of the workers will fall, leading to a fall in their spending. This will lead to low demand, low production and low investment further leading to fall in employment. Thus, a wage cut will actually result in more unemployment.
3. **Paradox of Plenty-** Generally, when a producer produces more, he is expected to earn more income. However, in case of agricultural production, when all farmers get **bumper crops** i.e. exceptionally high yield, the **price of the product falls and farmers end up earning less**.
4. **Paradox related to banking sector-** Banks run on the principle of trust that each of the depositors can withdraw his money at any point in time. While it is true for each depositor individually, if all the depositors demand their deposits at the same time, the banks would collapse.