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Know an Econ- omist

The Liberal Internationalist: Paul Krugman

~Sanjeev Mehta
Professor

Paul Krugman is widely considered to be the most celebrated economist of current generation. Krugman, a Nobel Laureate, has authored 20 books, contributed over 200 professional articles and is a regular columnist for the New York Times, Slate and Fortune magazines. Some of his famous books are – *The Conscience of a Liberal*, *The Return of Depression Economics*, *End This Depression Now* and *The Accidental Theorist*. Once the Asia Times referred to Krugman as ‘Mick Jagger’ of political and economic punditry. He holds professor’s chair at Princeton University and London School of Economics and earlier he also worked at MIT and Stanford. Krugman has won almost every coveted prize in economics including a Nobel Prize in 2008 and John Bates Clark Medal in 1992. He was also bestowed with Asturias Award by the King of Spain.

Krugman can be termed as an international economist. New international trade theory and New Economic Geography are perhaps the most significant theoretical contributions by Paul Krugman. Krugman found gaping holes in Ricardian and Heckscher- Ohlin theories, which used the arguments based on comparative cost advantage and differences in the factor endowments to explain international trade. He pointed out that these factors do not explain the actual pattern of global trade where one country exports and imports the same product and also trade takes place between the countries which do not enjoy comparative cost advantage over others as well as have uniform factor endowments. He deviated from the restrictive assumptions of ‘old trade theories’ – perfect competition and constant returns to scale and explained the causes of international trade using a more realistic framework of increasing returns to scale, imperfect competition (monopolistic competition and oligopoly) and product differentiation. Increasing returns to scale is aligned to large scale production and external and internal economies.

Krugman explained that trade liberalisation helps firms to gain access to larger markets, expand their production and benefit from increasing returns to scale and also cut down iceberg costs. He explained that consumers prefer differentiated products (also called as **Stiglitz-Dixit preferences**) which give rise to a situation where by a country exports and imports differentiated products, like cars, TVs and laptops.

Krugman’s seminal paper ‘**Increasing Returns and Economic Geography**’ published in 1991 explains how regional imbalances arise and perpetuate. His model of geographical concentration of manufacturing units is founded in interaction between the economies of scale and transportation costs. He used the analytical framework of Myrdal’s cumulative causation and the relative importance of centripetal and centrifugal forces in determining the location choices of the manufacturing firms. His recent work belongs to the realm of economic and currency crisis.

I strongly recommend the readers to refer Krugman’s web page <http://web.mit.edu/krugman/www/> to access his prolific work.

12th South Asian Economics Students' Meet



The 12th South Asian Economics Students' Meet since the inception of the conference in 2004 took place in Colombo, Sri Lanka from 3rd to 5th April 2016. The conference was attended by student delegations and faculty coordinators from 7 countries.

The inauguration and technical sessions of the conference took place at the Bandaranaike International Memorial Conference Hall. The chief guest at the inauguration was World Bank Country Director for Sri Lanka and the Maldives, Ms Françoise Clottes, who, while building on the designated theme of '**South Asia in the Asian Century**', also spoke at length of the potential for all South Asian countries to emulate the Indo-Bhutanese model of energy cooperation by way of harnessing the hydropower potential of the region. A representative of the Vice Chancellor of the University of Colombo, which hosted the event, also spoke, alongside Sri Lankan country coordinator and SAESM pioneer Professor Sirimal Abeyratne. Among the distinguished members of the audience was the Principal of Ramjas College, University of Delhi – the institution at which the first ever SAESM was conceived.

Technical sessions followed parallel to one another, three at a time, followed by the first stage of the Budding Economist competition.

–Chathuni Uduwela
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Budding Economist:
Mahir. A. Rahman
University of Dhaka



Quiz team winner– Bangladesh

Best Paper presenters:

Muhammad Umer Zahid
Lahore University of Management Science

Srishti Singh
University of Delhi



My SAESM Experience

SAESM, A hope towards one South Asia

As the developed countries and regions profile and experience show that economic prosperity is not feasible unless the economies get integrated and perform harmoniously. The case of South Asia is not an exception. The region can prosper only by integration, since different economic factors and resources are situated in each of these countries specifically, the region can be changed to an economic growth engine worldwide by using the resources for development. In my two experience of SAESM in Bhutan and Sri Lanka, I noticed the enthusiasm which young economists have to integration. This hope can come true only if we start working practically. The essays, papers and researches done by students can be a considerable source for understanding the obstacles and challenges that integration of the region is faced with and even the recommended solutions can be considered to start empirical work on integration. In addition, the political arguments and disputes need to be settled or they can be ignored by economists, because the friendship and sincerity we all had during SAESM show our frankness toward one South Asia and I believe revolutions can be made by young generation.

~Tamana Noori,

Kabul University, Afghanistan

SAESM Best Experience of my life

Through this program, I learned a lot about economy of Afghanistan specially the fact that if we want to improve our economy best solution is integration, and was able to repeat our economy to other South Asian countries, not only economy, but also our culture and friendship. In SAESM, I was involved with individuals from same backgrounds but different cultures, and ideologies. As SAESM Alumni now, I think of regional countries as part of the same region not politically bordered countries.

I was a SAESM participant in 2014 Bhutan and 2016 Sri Lanka, though in these years Afghanistan could not get any prize but what we have done in these years cannot be ignored. Since SAESM 2016 in Sri Lanka was third year of participation for Afghan students. Through years I participated there, I could see the positive trend in our performance.

~BibiRuqiaSayeq,

Kabul University, Afghanistan

My experience of SAESM

Nowadays one of the best and preferred ways for the flourishing of the countries particularly developing countries are through their connectivity and network with each other, SAESM as a regional conference is one of those ways which connects the young generation of the region countries under one space to share their ideas, knowledge, point of views as well as cultural thoughts that paves the path for having a strong regional integration; more over it can play a key role for having a prosperous and one South Asia. And now let's come to have more words about SAESM, I can say SAESM was more higher than my expectations and the guys in it was more extra ordinary than what I have thought; although the length of the program was short but the value was too much high and I learned a lots of things ...

For me the wondering point was the high rate of humidity and heat since I could last the other people were doing just normally and I don't know how to bear it, but believe the great hospitality of the Sri Lankan friends and the kind heart of that people made me forget all that humid, heat and everything tough and from the other side the friendship of the other country's participants as well Sri Lankans convinced me to just feel I am in my home country (Afghanistan); and I feel sort of not to be separate from these awesome guys just like a child who don't want to be separated from his/her mother. You know by passing every moment I thought my heart closer to them and shared lots of great memories just like family members. we were just trying to be a countenance to each other that we heard tomorrow you will leave Sri Lanka and believe me I saw that feel of missing at face of each and everyone of the guys and everyone persisting what if we could be here for at least one day more, let me say that every one of the SAESM's family have left an unforgettable memory that I can make them alive just by imagining them and bring back all that nostalgia hoping to see them one day. It wouldn't be enough how much I tell, but so far I can say it was a precious experience at the same time a great teamwork and I was very fortunate that not only me but the rest of our group members were highly, while eagerly attempted to present a real, civilized and prosperous Afghanistan! Every country team was highly trying to do the same. I want to say I'm very fortunate and lucky to be introduced with such kind of awesome people and made lots of good friends.

~Mohammad ErfanHabib

Kabul University, Afghanistan

The share of the cake

– Sajith Marlon
University of Colombo

If 100 of us got together to share a cake and if one person got half of it and the rest of the 99 were given the balance half of the cake, how would the 99 people feel about it? Well the truth is that that's exactly what's happening in the present world.

The Oxfam report published in the Guardian newspaper revealed that 1% of the world's population owns more wealth than the other 99%. Well we would feel that something has gone wrong and the gap between the rich and the poor is widening.

The same report reveals that 80 richest people on the planet have the same wealth as the poorest 50% in the world. That would mean that the wealth of the 80 top richest people is equal to 3.5 billion people.

Now it is clearly understood that all people could not own the same amount of wealth. However disparities such as this is unfair which cannot be ignored. The present trends of deregulation, tax exemptions, privatization policies have led to an extreme contrast between the rich & the poor. This does not mean that we should oppose such policies as they're favorable for a country's growth. However together with such policies there is the need of income redistribution and other such policies to reduce disparities amongst its citizens.

According to Forbes magazine's rich list, America has some 421 billionaires, Russia 96, China 95 and India 48. In contrast there are approximately 1 billion people living less than 1.25\$ a day in extreme poverty.

Similarly as there are disparities around the globe there exists disparities within countries. The Gini-coefficient is one of the measures to calculate income inequality in a country.

A Gini coefficient of zero expresses perfect equality, where everyone has the same income. A Gini coefficient of one expresses maximal inequality among values where only one person has all the income and all others have none (this is rare as practically there does not exist a country with a Gini coefficient of one).

A Gini coefficient above 50 is considered high; countries like the Seychelles, Brazil, Chile, Botswana and Central American countries can be found in this category.

It is important that we strive to reduce income inequality around the globe as well as within our nations. We should be committed in this task in every possible way we could. Finally our voice against income disparities matter a lot which would stir the need for a better future for all citizens in our own country.

Soon the Spring will pass by. . .

I shalt write thee, those of thou who art leaving
Rtc, the place that thee have lived once,
The place of thy and the time of thine being
Here wouldst have begun, pace and thence,

To shine the maiden pathway as anew.
And the day in future shalt born as a due
Of missing those springs and that flew,
Through the best and the worst moment to grew.

But thou mustn't blame to thyself for this,
Thee mustn't regret for not being here for long.
This not is thy fault, that makest thee to miss,
And it's wrong to think thou art not here and gone

'Cause thy stay in RTC is immortalize in my verse,
As many winters live this, thee live in RTC for those many years.

Purna Bdr. Subba.
BA. Eco/ Evs
2nd semester.

People to be recognised

“Without that sense of security which property gives, the land would still be uncultivated”-

~Francois Quesnay



François Quesnay was born in 4th June 1694 and died in 1774. He was the royal physician to the king Louis XV's mistress, Madame de Pompadour and later became the physician to the king himself. Francois Quesnay was one of the founders and leader of Physiocrats who was against Colbertism/Mercantilism and believed in Laissez-faire (no government intervention) for the free flow of internal trade. Physiocracy was the first school of thought started since 1756 and ended in 1776 in France. The school believed in the “Natural law” where the nation's wealth is derived from the agriculture sector only where the society were governed by the nature and people were given right to enjoy their own fruit of labour. He

was renowned for Tableau Economique in 1758 representing the circular flow of funds (goods and services) in economy (Brewer, 2005) and origin of the multiplier effect showing the affiliation between economic classes and sectors of the society dividing into three branches/classes namely proprietary class, productive class and sterile class. In his tableau, he explain how the velocity of cash circulate in an economy and concluded that agricultural sector (farmer) are productive where as manufacturing sector (artisan) and proprietary class (landlord) are not productive.

Purna Maya Gurung
Ugyen Dema
Tshering Choki
BA Eco Evs , 2nd year

Happy Teachers' Day



Dear to all my teachers:

Let us all take these opportunities to wish you all a very *Happy Teachers' Day* and thank you for enlightening our future.

Your inspirational words and guidance made lots of difference in our life from who we were to who we are now.

~Purna Maya Gurung

BA Eco Evs ,2nd year:

For us, its our fifteenth years of education and we are still guided by teachers.

Teachers are our role model and they inspire us .

we have realized the importance of teachers in life and they are the ones who makes what we are at present..

They make our future brighter and we hardly get time to thank all of them so now is the time so is the opportunity. We all would like to wish all the teachers a very **HAPPY TEACHERS DAY!**

~Uma Devi Chhetri

BA Eco Evs, 2nd year

FUN FACTS

~ Compiled by Pema Choden

RIDDLE

1. What is Pacman's favourite snacks?
2. What is the greatest worldwide use of cowhide?
3. What is the tallest building in town?
4. What is the only chain we can eat?
5. What is the karate kid's favourite drink?
6. What is the longest word in the English Language?
7. What is the moon worth?

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ANSWER FOR LAST ISSUED RIDDLE

1. Paws
2. Swallow the leader
3. Space chips
4. Soap/Pencil/Crayon/Chalk
5. Egg/nuts/lobster/coconut/Peanuts
6. A pack of cards
7. The letter E

*** Anyone can mail the answer and get a treat from us for right answer or wait until the next issue***