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A JOY FOR THE KINGDOM OF BHUTAN



On 5th of February 2016, we the Bhutanese welcomed Our Gyalsey (prince) the first Royal Child of His Majesty King Jigme Khesar Namgyel Wangchuck and Her Majesty Queen Ashi Jetsun Pema Wangchuck. The country was filled with joy and happiness. According to the Bhutanese Calendar, 10th of February 2016 was a new year for the Bhutanese so to start off with a new year, the first official Kupar (picture) of our Gyalsey was published. The second Kupar was published when our Gyalsey turned one month old on 5th of March, 2016. We the Rational Expectations Economics Society of Royal Thimphu College would like to wish Our Gyalsey a long and successful life.



**2nd official Kupar of our Gyalsey
(1 month old) [05.03.16]**



1st official Kupar of our Gyalsey (5days old) [10.02.16]



Know an Economist:

Alfred Marshall (1842-1924):

Harbinger of Neo-Classical Economics

“Political economy or economics is the study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and use of the material requisites of well-being.”- Marshall

Alfred Marshall was the most prominent economist at the beginning of 20th century who led the British neo-classical school. Marshall is often regarded as one of the respected fathers of modern economics. He taught at the University of Cambridge and his prominent disciples were **John Maynard Keynes** (who later challenged the neo classical foundation that his teacher developed) and **Arthur Pigou**. Under Marshall’s leadership, Cambridge became world’s leading institute for the study of economics. He helped to turn economics into a scientific discipline by applying mathematical principles to the study of economics. He, along with **Stanley Jevons**, developed the concept of marginal utility which revolutionized the study of economics by providing a powerful analytical tool. His magnum opus- *Principles of Economics* was first published in 1890.

Marshall’s principal motivation for studying economics was welfare oriented as he wanted to improve the condition of the common people. Despite being positive economist he was a humanitarian at base. Marshall said that *“Political economy or economics is the study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and use of the material requisites of well-being.”* To Marshall, economics was a science of human behavior. He outlined patterns of orderliness that are inherent in economic phenomena. These patterns are expressed as generalizations or laws.

He shared Adam Smith’s regard to competition and believed that competition forces individuals to become more rational in their goals and decision making and more socially conscious of their behavior. One of the major contribution of Marshall is *partial equilibrium analysis*. The economic system is very complex to comprehend and simplification is required to study smaller parts of the economy. He assumed that the decisions in a particular market have negligible effects on the rest of the economy. He also popularized the assumption of *ceteris paribus* as a necessary tool to study partial equilibrium. Marshall developed the theory of competitive markets and highlighted the role of demand and supply and applied them in a comparative static model. He compared the market with a scissor and highlighted that both the blades of a scissor (demand and supply) are equally important for it to operate effectively. Although Marshall did not formulate any new concept or theory, his work fine-tuned much of the earlier work by creating analytical tools to study these concepts or theories. A large fraction of modern microeconomics is in fact Marshallian in nature. Marshall’s name is associated with important concepts such as - **consumer and producer surplus, elasticity of demand and supply, derived demand, law of diminishing returns, return to scale, economies of scale representative firm and offer curve.**

In the 1870s he worked on international trade and the issue of protectionism. In 1879, many of these works were compiled together into a work entitled *The Pure Theory of Foreign Trade: The Pure Theory of Domestic Values.*

Marshall firmly believed that economic development required appropriate institutions, incentives and attitudes. He was against large scale government intervention but he accepted that the government had a guiding role to play to improve quality of life. He acknowledged the importance of voluntary individual efforts in promoting the interest of the under privileged sections. He highlighted the importance of informed electorates and diffusion of sound economic knowledge as essential and integral elements in the process of socio-economic transformation. Economics thus was itself a noble activity of high importance for the future of mankind.

~ Sanjeev Mehta
Professor of Economics

Democracy and Development

- Sanjeev Mehta
Professor of Economics

Democracy and development are two sides of a coin. Democracy means a government of the people, by the people and for the people. Development is a process of overall changes in social, economic, political and institutional field. It also includes economic growth. Development is about improving the quality of life of the masses, it has three major ingredients—life sustenance, self esteem and freedom. Nature of the governance plays an important role in promoting economic development. Any form of the government which works for the general welfare can play the instrumental role. As Pope Alexander once remarked- ***“Let the fools contend for the forms of the government, whichever is best administered is the best.”*** Nature of state which works with the democratic spirit can positively contribute to the development process. The spirit of democracy cannot come from outside it comes from within.

Democracy creates institutional structure that is laid on the foundation of liberty, freedom, equity and a responsible state. Freedom of various kinds is important to protect the individuals from exploitation and discrimination and allows them to use the opportunities to improve their lives. It develops people’s capability to choose a set of a life from among the alternatives. Democracy allows the people to have a say in the governance and make appropriate decisions that are vital for their growth. Decentralization of decision making, which is an important aspect of democracy, make people involved in the development process at every stage. This process ensures that only those projects are implemented which most desirable and help to use the local resources and skills. This also becomes tool for regionally balanced growth.

Foundation of the democracy is laid on the institutions of independent judiciary and a free media. Independent judiciary provides quick, fair and affordable justice to people whose rights are violated. It allows them to seek equal opportunities. Even the democratically elected government is forced to make decisions which positively affect the conditions of the masses which determine the fortune of the political parties and leaders. It is generally only with the arrival of democracy that the government implements programmes (like land reform) that are beneficial to the masses. Media bridges the information gap and allows the people to make informed decisions. It also acts as a watch dog and creates pressure on the government to follow pro-people policies. The system of check and balance and general elections make the government transparent, accountable and responsible.

It allows the ordinary people to rise to get political and social power which was erstwhile denied to them. It is a source of general confidence and self esteem. Democratic changes make the national governments more acceptable globally. The donor institutions or the countries come forward to provide more assistance to them. It helps the democratic countries to bridge the resource gap and generate more investible resources. The greater the rate of investment the more rapid is the growth. Democracy also helps to utilize the scarce public resources more efficiently.

The bible of democracy i.e. - The constitution provides for certain obligations on the state (for example like principles of state policy in the constitution of Bhutan) to follow set of policies that are helpful to improve the quality of life and provide equal opportunities. The state is required to work for the welfare of the masses. Democracy also calls for public - people partnership in the development process. Social capital, organizations such as NGOs, citizen’s forums work with the government to find solution to the problems and help the masses.

Empirical evidences suggest that democratic countries have a greater chances of rapid growth in GDP per capita, HDI and Other measures of quality of life. USA, Europe, South Africa and India shows that how a democratic society changed for the better. On the other hand non democratic states like- Burma, Afghanistan, Nepal, Pakistan and many African countries have lagged behind. Democratic changes in Bhutan actually took place well before the actual democracy came. There was a spirit of democracy in the monarchy. Decentralization and people’s participation and social welfare orientation came much before the democracy. The spirit of democracy in the governance in Bhutan saw Bhutan developing rapidly in last six decades.

People to be recognized.



Amartya Sen

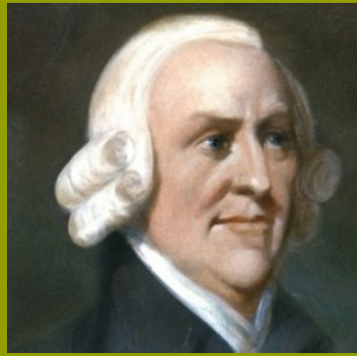
Amartya Sen is a much admired, award winning economist, writer and a philosopher.

He is the voice of the poor and malnourished, and he is tirelessly engrossed in the problems of the society's poorest people. Sen was born in Nov.3, 1933. He is an Indian economist who was awarded the 1998 Noble Prize in the Economic Sciences for his contributions to welfare economics. His interest was on the problems of the society's poorest members. In 1956, at the age of 23, he was appointed as the Professor and head of the Economics Department at the Jadarpur University, Calcutta. The Noble Prize committee recognized Sens publication *'Development as freedom'* an important contribution in the field of economic development theory. His book *'Inequality Reexamined'* addresses some of the most important concerns of inequality. Amartya Sen was awarded the Adam Smith Prize in 1954. He received the Nobel Memorial Prize in Economic Sciences. He was awarded the Bharat Ratnain 1999, which is the highest civilian award in India. In 2011, he was awarded the National Humanities Medal.

"A defeated argument that refuses to be obliterated can remain very alive." ~Amartya

Tandin Zam

1st year



Adam Smith

Born: June5,1723,Kirkcaldy,United Kingdom

Died: July 17, 1790,Edinburgh, United Kingdom.

Influenced: Noam Chomsky, Carl Menger, William Stanley Jevons,

Education: Kirkcaldy High School (1729–1737)

Occupation: Philosopher, political scientist, Journalist, Educator, scholar, Economist.

Adam Smith is known as the father of economics. He was a Scottish moral philosopher, pioneer of political economy, and a key figure in the Scottish Enlightenment.

Professional life

In 1748, Adam Smith began giving a series of public lectures at the University of Edinburgh. Through these lectures, in 1750 he met his lifelong friend Scottish philosopher and economist David Hume which led to his appointment to the Glasgow University faculty in 1751. In 1776 Smith published his first work *'An Inquiry into the nature and causes of the wealth of Nations'*, dedicated to the study of political economy. Economics of that time were dominated by the idea that a country's wealth was best measured by its store of gold and silver. Smith proposed that a nation's wealth should be judged not by this metric but by the total of its production and commerce today known as **Gross Domestic Product (GDP)**. In 1787, Smith was named **rector** of the University of Glasgow, and he died just three years later, at the age of 67.

"It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect dinner, but from their regard to their own interest."

~`Adam Smith

Pema Lhamo

1st year

FUN FACTS

~ Compiled by Pema Choden

RIDDLE

1. What is a cat's favourite button on VCR?
2. What is a shark's favourite game?
3. What is an astronaut's favourite snacks?
4. What is bigger when new and grows smaller with use?
5. What has to be broken before you can eat it?
6. What is put on a table and cut, but never eaten?
7. What is the beginning of eternity the end of time and beginning of every ending?

ANSWER FOR LAST ISSUED RIDDLE

1. A shadow of an elephant
2. Spelling
3. Space ball
4. A dining room Table
5. Phone/Trees/A planet
6. PuRRple!
7. A newspaper
8. Trouble
9. Silence
10. Saw dust

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

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