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BREAKING NEWS!

Economics students take RCSC exams by storm

On December 9, 2015, RCSC declared the results of coveted civil service examination and economics students of RTC marched past with the largest laurels. Kuenzang Dorji was the third topper, Wangchuk ranked fourth, Phub Gyem and the second president of REES Chenchu Dorji were in the first 30's. First president of the REES, Dorji, also made it. REES stands tall today because of the glory brought by these economists. Let us not forget that topper of the exam was also a student of economics. We hope this will be a turning point making economics the most sought after course in Bhutan. As we are about to launch BA in Development Economics, this is a good omen to begin with.

Professor *Sanjeev Mehta*



Dorji



Kuenzang Dorji



Chenchu Dorji



Wangchuk



Phub Gyem

Economics students attend a conference on Economic Freedom as a way to Happiness

~ Professor Sanjeev Mehta

20 students of BA Economics and Environment programme attended a conference on 'Economic Freedom as a way to Happiness', on 23-24 November, 2015 at Hotel Taj Tashi. The conference was organised by Economic Freedom Network (EFN) Asia and Friedrich Naumann Foundation in collaboration with QED consultancy.

The conference was addressed by many notable speakers from around the world. The conference highlighted the importance of free play of market mechanism and state playing a role to develop right institutions and to ensure enforcement of rules and regulations. The conference stirred the debate on the role of liberal economic regime in promoting social justice through rapid growth, which is an important source of happiness. Participants from various countries shared their country specific experience.

On the second day, Economic Freedom Report 2015 was also launched. The EFN also conveyed that from 2016, QED would take charge to draft the Bhutan chapter of Economic Freedom Report. REES congratulate QED on this achievement.



Know an Economist: The Last Generalist: Paul A Samuelson (1915-2009)

“Economists are said to disagree too much but in ways that are too much alike: If eight sleep in the same bed, you can be sure that, like Eskimos, when they turnover, they’ll turn over together.” - Paul A Samuelson

Perhaps the most influential economist of the second half of the twentieth century. So was his love for economics that he wrote in his memoirs- *“I was reborn, born as an economist, at 8.00am on January 2nd 1932, in the University of Chicago classroom”*. It was the time he attended first university class. He was the most notable follower Keynesian economics but he preferred to call himself a *‘cafeteria Keynesian’* for being selective in accepting Keynesian framework. His economic ideas became known as neo-classical synthesis. He was a generalist whose contributed to wide range of economic theories or concepts, including modern welfare economics, linear programming, constrained optimization and behaviour, international trade theory, Keynesian economics and economic dynamic. He maintained that mathematics was essential to better understand economics. He widely used mathematical tools to study economics and made it popular.

His work *Foundation of Economics Analysis (1947)* was a path breaking work and in his words was thrice blessed. His next book *Economics: An Introductory Analysis* became the bestselling economics book of all times which has sold millions of copies and is translated into several languages. This textbook has helped to train millions of young economists throughout the world. For every undergraduate or graduate student of economics it is imperative to study the work of Samuelson.

In microeconomics, he developed the theory of revealed preference, envelope theorem, characterization of cost function, worked on utility measurement, formulated Bergso Samuelson social welfare function and integrated public goods theory into neoclassical theory. He also played the role of main adversary in the Cambridge Capital Controversy” introducing the *“surrogate”* production function. In international trade he contributed to Stolper-Samuelson theorem which provides irrefutable explanation to why trade liberalization benefits relatively abundant factors. In macroeconomics he created multiplier accelerator dynamic model, overlapping generation models and developed random walk finance.

Samuelson was awarded with the Nobel Prize in economics in 1970, David A. Wells Prize by Harvard University in 1941, and the John Bates Clark Medel by the American Economic Association in 1947 as the living economist under 40 *“who has made the most distinguished contribution to the main body of economic thought and knowledge.”*

-Sanjeev Mehta

Professor of Economics

Aid or Development from Below (Author Unknown)

- Sanjeev Mehta
Professor of Economics

Beneficiaries here we come, Donor with tidy sum
Father Christmas my name, Spending targets are the game
All will gain, that is the notion; you get cash, I get promotion
Help me be a good provider, open up your mouth much wider
What I bring is sure to please, sacks with stacks of free goodies
All you have to do is to take them, Evaluations? We can fake them
Make disbursement that's must, where they go we will adjust
Take a lot and quickly spend, financial year is nearing its end
For accounting, we can fudge them, all that matter –spend the budget!
Retained consultant will report, contractors acted as they ought
None of the structure was defective, monies spent were cost effective
All the data that are obtainable, show the project is sustainable
Shun the mean facilitator, what he brings is less and later
Public relation is but a con, make your map and they move on
Their approach will make you sick, all they hand you is a stick
Participation is too a mess, you do more and they do less
What good calling you clients and actors? Better cash from benefactors
You and the poor should never spurn, gifts you do not have to earn
Then the poor might reply; donor, we reject your song
Top down trajectory is wrong, flood of funds as in your verse
Corrupt and spoil and make the things worse
Keep your money and we will show, true development is from below.

Acheonomics

~ *Scott Jagow* (source: Google)

I've never been tickled with money
But I bet it hurts

Credit cards don't cut
They slide easily
But try picking a lock with debt

Try picking a stock instead
Pointless
Eight thousand points less

Wall Street was a Dutch defense
More Hedge than Wall
Didn't keep out the Brits
Or the Twits, at all

When Bears attack
Don't run
According to Wikipedia
But Bulls can catch you too

HAPPINESS, ETHICS AND ECONOMICS

Johannes Hirata



Reported by:

Kinley Zangmo and Tshering Buthri

2nd year: 3rd Semester

It was an honor for us to have Professor Dr. Johannes Hirata talk to us on his Doctorate research thesis '*Happiness, Ethics and Economics*'. Personality is what determines the happiness of a person and extroverted people are happier than the introverted ones there by not income and health etc. However, unemployment and social ties or partnership are also the influential variables. What people expect from economic growth was shown through a simple utility function measuring real income on X-axis and Subjective well being on Y-axis. It was seen that happiness increases as real income rises even though there is diminishing returns however, in case of the relative income effect (individual income) if the relative income effect is strong then the subjective wellbeing will be zero resulting into zero sum game or prisoners dilemma where everyone tries to increase or improve in terms of position, income and consumption but because of externalities there is adverse impact on the satisfaction of others.

It was seen that developed countries like United States and Japan even with a positive trend, increase in an income increased the subjective well being only in case of absolute effect that is when one's income increases and others remains same. Underlying mechanisms of relative income effect are resource, goods, functioning's and subjective wellbeing.

Nevertheless due to changing environment over a time even if the income doubles there would not be any effect (effect depends on how far the utility curve shifts) as others income increases too. Long term implication of relative income is the prisoners dilemma where people's effect to improve would rather lead to implications on society. Effect of economic growth on SWB is smaller than the expectations of the people based on individual short term experience. Therefore he concluded by saying that money is not the most important variable of happiness rather social ties, family life, self determined job and so on are equally important.

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“ Though individualism has taken over everything it is possible to maintain state happiness if the nation is trustworthy, harmonious and solidarity” -Professor Hirata.

Choosing of Bhutan for doing research is mainly because of GNH and happiness being thesis for research. Bhutan has lots of surprises, life in Bhutan is so natural and there is no such thing as natural and Bhutanese youth are so much a religious minded and knows how to enjoy their life. Including ethics in research thesis is to understand the theories in economics which are left unexplained in deeper level. For Bhutan moving away from low income state to middle income state reflects positive economic growth and economy improvement, reflection of good development, and other infrastructure developments. Sometimes deviation from culture and is also a good thing. At the same time it is good to preserve. Preservation of good sides of culture and change is need for the down sides of culture.

FUN FACTS

~ Compiled by Pema Choden

RIDDLE

1. What is as big as an elephant but weigh nothing at all?
2. What is a witch's favourite school subject?
3. What is an alien's favourite sports?
4. What has four legs, a head and leaves?
5. What has ring but no finger?
6. What is a cat's favourite Colour?
7. What is black and white and read all over?
8. What is easy to get into but hard to get out of ?
9. What is that you will break every time you name it?
10. What is made of wood but can't be saved?

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ANSWER FOR LAST ISSUED RIDDLE

1. A bean bag
2. Darkness
3. A blueberry
4. Saturday
5. V

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