

Rational Expectations Economics Society

A Monthly Review by REES of RTC



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3RD YEAR COHORT 2018



2ND YEAR COHORT 2019



1ST YEAR COHORT 2020

Aid or Development from below

by Anonymous

Source: Professor Sanjeev Mehta's diary

Beneficiaries here we come,
Donor with a tidy sum
Father Christmas is 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 matters –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.

Economist

by Anonymous

Source: Professor Sanjeev Mehta's diary

Economists have come to feel
What cant be measured, isn't real
The truth is always an amount
Count numbers, only numbers count.

Old Henry

by Anonymous

Source: Professor Sanjeev Mehta's diary

Old Henry Ford the first, now dead
Reputedly, while living, said,
Americans should never lack
Their model- Ts, so long as black
This way of acting still persists
Professionals are reductionalists
And bureaucrats embrace the norm
The programs should be uniform
The poor are look-alikes and weak
We know their needs. They need not speak.
Our mass production's sure to please
Let's make one program; Model Ts.



Teenage Pregnancy in Bhutan

by Punam Rai, 3rd year

Teenage pregnancy is also known as Adolescent pregnancy and is used to refer to the pregnancy of females below the age of twenty. The World Health Organization reported that about 12 million girls aged 15 to 19 years of age give birth every year in developing countries, including Bhutan (World Health Organization, 2020). The constitution of Bhutan has it that all men who impregnate a girl below the age of 18 will be imprisoned. Despite such policies, as of 2020, an article in The Bhutanese reported that the Jigme Dorji Wangchuck National Referral Hospital received a total of 36 cases of teenage pregnancies (Dem, 2020).

There are several reasons why authorities and societies believe that teenage pregnancies happen. Some of the prominent reasons are inadequate sex education, poor parental guidance, illiteracy, poor economic background, and the negligence of young individuals.

Based on the past reported cases of teenage pregnancies in Bhutan, often the reasons are not limited to one of the above-listed causes. Commonly, such cases have been seen amongst girls belonging to lower-income groups who have attended basic schooling or none at all. Hence, it is more likely that their parents are also illiterate who all may not completely understand the importance of sex education and communicate it to their children. This vulnerable group of young females often becomes the victims of rape which results in birthing at a very early age. The Chief of Police, Major General Chimi Dorji stated that in a majority of the cases, the rapist is a close acquaintance of the victim [uncles, stepfather, or even her own father] (Dem, 2020).

Being a teenage mother can affect the life of both mother and the child in so many different aspects. Generally, the teenage mothers in Bhutan are school-going girls and because of their pregnancy, they had to discontinue their education temporarily or in some cases, permanently (National Commission for Women and Children, 2020). In their teens, the young mothers do not have the knowledge and skills of parenting. Moreover, bringing up children can be quite costly considering all the needs of both mother and the children.

The Medical Superintendent of JDWNRH, Dr.Gosar Pemba said that there is a higher possibility of more pregnancy-related complications like heavy bleeding, maternal morbidity, premature birth of a child, and also miscarriages and stillbirths in cases of teenage pregnancy (Dem, 2020).

The employment rate of females has always been lower than that of males both in rural and urban regions in Bhutan. As of 2019, the female unemployment rate was 13.8% while that of males was 9.7% and teenage pregnancy is identified as one of the major causes of the higher unemployment rate amongst females (National Commission for Women and Children, 2020). If those young mothers get support from their families, there may not be many issues but if they are disregarded by their families, which could be possible in a typical Bhutanese community, they will not only be exposed to poverty but also the weight of cognitive strain will further hamper their health.

Furthermore, the outbreak of Covid-19 has only added to the already existing misfortunes of this vulnerable section of young women. The UNICEF for children in Bhutan reported that with the schools closed, there was increased violence and sexual exploitations against women, a rise in early marriages, and more cases of teenage pregnancies (Parks, 2020). With the borders sealed, the practice of illegally aborting in the border town of Jaigaon has been made impossible leaving many teenage girls in distress. A journalist wrote in an article that abortion for Bhutanese has become a privilege and not a medical option because those who can afford travel to hospitals in Bangkok and get abortions while those who cannot afford to opt to get an abortion from Jaigaon which has proven to be very risky and unsafe (Gurung, 2020). Had abortion been a safe and legal medical option, things could have been so much better for vulnerable young women.

Therefore, the focus is now on what can be done to limit the causes of teenage pregnancy in the country and empower women. There are a number of precautions that can be implemented to control the incidences of teenage pregnancy.

Firstly, every youth should be given proper sex education and popularize the use of contraceptives so that they do not end up making mistakes. There should also be proper guidance and support from the parents so that no girl fears coming out and reporting any harassment they had to undergo. Secondly, more severe laws should be imposed on sex offenders so that no individual dares to commit one. Similarly, in support of young women, abortion should be legalized so that many young girls can live healthy and comfortable lives.

To sum up, the major reasons for rising teenage pregnancy in Bhutan are inadequate sex education and parental guidance, socioeconomic status, and negligence. Most of the teenage mothers came from low-income groups out of which some were the victims of rape. Such incidences leave very damaging impacts on both the physical and mental well-being of these women which have also restricted them from growing into their best selves. They are neither able to complete their education nor develop skills that can secure them a decent job. Thus, there is a need to protect this section of women by providing more sex education, more use of contraceptives, punish the sex offenders more severely, and legalize abortion. In this way, women in Bhutan will be able to live in a safe community and with reduced cases of teenage pregnancies; women will be able to live up to their best versions.

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Plastic pollution, economic consequences, and potential solutions

by Karma Tshoki, 2nd year

Plastic pollution is at its worst now. Between 1950 and 2015, 6.3 billion tonnes of plastic waste were produced, of which 10% were recycled, 12% burnt, and the remaining 79% dumped in landfills or open areas (Rhodes, 2019). Hence, plastic pollution is a major issue as “plastic is the most destructive weapon than a nuclear bomb or an atom bomb, its impact shall remain for centuries on the future generation” (Kumar, 2019). Plastics are non-degradable, toxify soil, threaten aquatic life, and poisons the human diet.

According to a 2015 study, China, Indonesia, the Philippines, Vietnam, and Thailand are the world's top five plastic polluters and contribute 56% of total global plastic waste. While China is the world's largest manufacturer of plastic, the US is the largest generator of plastic waste (Parker, 2020).

So China has been importing trash and almost the world's 70% of global plastic waste went to China for recycling. Consequently, the recycling business boomed in China as it had cheap labor. However, its recycling facilities became overwhelmed with trash and following the trade war with the US, China banned the import of plastic trash in 2018 (Joyce, 2019).

Owing to the fact that plastics do not degrade any faster, dumping sites are occupied for a longer period. The plastic microparticles are found to be transferred from soil to living organisms. The harmful chemicals seep into underground water and pollute water sources (UNEP, 2018). So, plastic pollution has threatened marine lives and statistics have shown that by 2050, at the current rate of plastic production and pollution, there would be more plastics in the ocean than fishes (Rhodes, 2019). Often in national geographic channels, sea animals are seen ingesting plastic mistaken for food, entangled in plastic fibers unable to free causing deaths. According to Marine Bulletin (2019), the social cost of cleaning up oceans amount to 2.5 trillion \$ annually which could

otherwise, be used to address social issues or infrastructural development.

Plastic contamination in drinking water was found in 159 samples collected from six regions of five continents. The USA has the highest level of contamination at 94% followed by India and Lebanon. Europe fared the best at a 72% level of contamination. Hence, it was estimated that people could be ingesting 3000-4000 plastic microparticles every year from drinking water (Rhodes, 2019). In addition, there is an ill effect on human health due to the consumption of sea animals that ingested plastic though it is not definitive.

Initiatives were taken to reduce plastic usage and accordingly environmental policies and organizations were set up. For instance, UK supermarkets started charging customers for plastic bags and build fountains in public areas to refill water bottles. The national game of India held in 2015 banned the use of plastic bottles. Any person found producing, selling, or using plastic in Kenya received jail terms up to 5 years or a fine of USD 40,000 (African Safaris, 2018). The New Plastics of Economy-Rethinking the Future of Plastics founded in 2010 emphasizes recycling and manufacturing plastic from sustainable sources.

To conclude, plastic usage has gained importance with industrialization progress. Hence, from 1950 to 2015, 6.3 billion tonnes of plastic waste were produced. Notwithstanding efforts placed in its usage reduction, there has been no significant achievement. Plastics have been dumped in open environments, in rivers and oceans, and their chemicals have affected soil, living organisms, and humanity through food chains. So, incorporating an integrated systems approach such as permaculture would be advisable. We should design specific urban-rural sustainable ways of living- promote reduce, reuse, recycle and regenerate methods. We must create a sustainable home for future generations.

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Electronic Vehicles: A step closer to “All-Electric Future”

by Choyang Namgay Dolma, 2nd year

Edkins & Zehfuss (2008), explain that the sheer scale of human activity has become a geological epoch where humans are reshaping the planet and has effectively become the force of nature; terming this period as the “Anthropocene”. Although humanity realizes the risk we pose to the biosphere, we now have to decide what kind of planet our posterity will live in and change our lifestyles that maintain sustainable and equitable development. However, nations’ attempt to achieve sustainable development without destroying the global environment has seen little success considering the massive events of climate change occurring at a regularity. However, innovations such as electric vehicles (EVs) are starting to gain momentum as claimed by Kasputin & Grushevenko (2020) in their journal; “Long term electric vehicles outlook and their potential impact on the grid”, which asserts that expansion of electric transport is certainly a step for humanity’s sustainable development

According to Kasputin & Grushevenko (2020), as of 2018, China, Canada, Finland, France, India, Japan, Mexico, Netherlands, Norway, and Sweden have joined an international “EV30@30 Campaign”, with a common goal of 30% electric auto fleet by 2030. Most of the participating countries provide tax incentives for the purchase of electric vehicles or provide direct government investments in infrastructure. Moreover, members of EV30@30 such as Paris and Mexico intend to ban ICE (internal combustion engines) from entering city limits while London introduced fees for using in-city roads, to reduce anthropogenic emissions (pollutants originating from human activity, vehicles in this case) from which electric vehicles are exempt.

Kasputin & Grushevenko (2020), argue that EVs have some major drawbacks such as being prohibitively expensive. The incredible cost of EVs is attributed to the battery of the vehicle which makes up half of the price of an EV (Soulopoulos, 2017 as cited in Kasputin & Grushevenko, 2020). The expense of EVs are also concerns for Bhutanese taxi drivers as UNDP and GEF’s (Global Environment Facility) initiative to launch 300 EV-taxis in early 2019 has been facing funds shortage. To encourage taxi drivers to invest in EVs, UNDP started covering 20% of the cost of the EV while setting up 70% of the cost as a loan in collaboration with the Royal Monetary Authority (RMA) (Eco-Business, 2020). Although such policies are incentives to curb emissions, the effectiveness and actual sustainability of this project is questionable; because without enough charging stations, it’s success would be evidently improbable. Presently, there are only 5 charging stations for EVs in Thimphu (Eco-Business, 2020). Moreover, this indicates it would be difficult for a standard working Bhutanese to invest in an EV, considering the RMA and UNDP have to provide subsidies to this extent to cover costs of EVs.

The other growing concern of blooming EVs that Kasputin & Grushevenko (2020) explain is the uneven distribution among the world's countries. Naturally, the greatest increment will come from countries such as the US, China, Japan, and the European Union countries with strong state support for EVs and localized production. This creates a larger concern for the scope of the environmental market for EVs in Bhutan where the EV project is comparatively new.

Kasputin & Grushevenko (2020) also emphasizes, EVs are not entirely a way of decreasing fossil fuel consumption and anthropogenic emissions, rather a switch from petroleum to fairly cleaner natural gas; and also estimates the global share of petroleum products will decline from 93% in 2017 to 82% in the baseline scenario or even 59% in the favorable scenario by 2040.

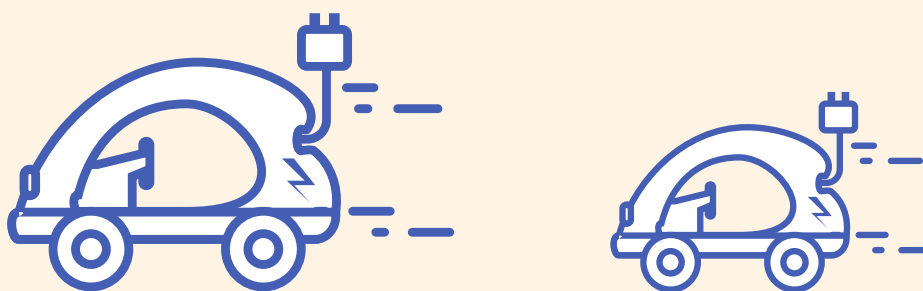
The success of EVs or any alternative to fossil fuels would indicate, that under thought-out and comprehensive government policies, many developing countries are capable of formulating and upholding the "All-Electric Future". If UNDP and GEF's joint initiative of 300 EV-taxis turns out to be successful, then it is plausible to optimistically assume we would be a step closer towards sustainable development.

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Nepotism: the rise of a new disease in the Bhutanese economy

by *Anonymous*

Source: Graduating class of 2021

Bhutan is a country well known for the peace it maintains in the country, however, a new human-made plague (Nepotism) seems to be spreading in the country. The word 'Nepotism' means favoring someone with any sort of benefits because of the kinship and friendship, thus, starting from the emergency service one provides to another leaving the ones in the queue to giving jobs to another person who is one's relative falls under the criteria of nepotism (Malik, 2018). Nepotism, though was not very common in the past, has now become a major issue due to the unmasking of some misconduct of high officials (Palden, 2021). Nepotism might get misunderstood as something that is less harmful than corruption but we cannot deny the fact that nepotism is an action that favors the interest of a group and moreover, we do not have proper research on this which itself proves that its ripple effects can be unimaginable (Malik, 2018). When it comes to the ripple effects of nepotism, it can become an origin for inefficient use of human capital, source of demotivation for competitors, and might even become a reason for distrust between people and government which hinders the growth of the country.

When it comes to the progress of a country one thing that is a must for proper growth and development is its human capital. Experienced, skilled, and talented people are the ones that can act as a means for a country to achieve its mission and vision. No matter how good our mission and vision are, if we have someone not capable and worthy of the post then it won't take much time for built progress to collapse. Further, with the unmasking of the recent issues in the country, we can see that many people already had their hands dipped into nepotism. The recent issue of arresting Khando Wangmo former protocol secretary of the Indian embassy and exposing alleged collusion and criminal conspiracy against the Chief operation officer has come as

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a major shock to the country (Palden, 2021). The charges are that this trio, senior-most justice of supreme court, Kuenlay Tshering, Pema Gatshel, drangpoen Yeshey Dorji, and former Royal Guard commandant, brigadier Thinley Tobgay have been taking advantage of their posts and helping Khando to get scholarships, pistol, RBG's uniform and so on (Palden, 2021). It is not only the reflection of the dark side of our country but it also shows how opportunity and situation can be taken advantage of by the people in higher authority. Thus, when we have such people holding higher posts, the question is how we can achieve economic progress.

Moreover, we live in times where we have to compete for opportunities. We always give our best just to get the opportunity but if nepotism is in the way then people might get discouraged to do their best. An example can be students, in the past irrespective of our economic background; we used to give our best just to score the best marks to get a well-paid job, but after knowing that who will get a job is pre-decided, students feel demotivated to work hard. Therefore, these days young people want to go abroad because they do not want to go through the tests of nepotism for it's too much for their young minds and fragile heart. Nepotism will also lead to a lack of innovation, a lack of fresh ideas, and a lack of capable future leaders in the country (Malik, 2018). Nepotism makes ways for people who are incapable, unskilled, and inexperienced and at the

same time blocks ways for those who are capable and can make better changes for the country's growth (Malik, 2018).

Nepotism can also drag our country into thick soup by creating distrust between government and people. We all live under the visionary leadership of our monarchs and we people usually believe and trust them in whatever they do. Our Monarchs under the guidance of GNH are doing their best to help every citizenry of the country to live a peaceful life. However, the bridge between the people and our king is the government. There are many officials who work for people and as expected does their work for the benefit of the people making sure that people are comfortable under the leadership of the king and the government. However, there are few officials who take advantage of their position and make decisions for the interest of a few people. For instance, in rural areas, illiterate farmers are insulted for being illiterate when receiving services from banks and hospitals. They are either made to stay in the queue for services while people with high ranks get the services faster or are scolded for asking staff from the banks for help like filling their forms (Rinzin, 2020). The table below shows the response of people on what type of relationship is most beneficial in getting services faster and the responses show that people who are related to the service providers get the services faster, followed by friendship and so on (National Integrity Assessment 2019, 2020). We know that services like health and banking are essential for people's good health and for our country's progress. Moreover, the services people use are fully based on the trust they have in our monarchs and the government as they are illiterate and naïve. The services must be delivered in such a way that the service providers are able to win their trust. However, if people are discouraged to use the services because they feel that they are treated unfairly by officials and blames our government for it then it won't take much time for people to lose their faith in our government.

Types of a personal relationship	Percentage of responses
Family relationship	26.60
Friendship	26.40
Same region/Dzongkhag	13.10
Instruction from supervisors	10.20
School/college/training mates	9.42
Influential person	8.80
Others	4.40
Total	100.00

To conclude, we as a society have been lenient when it comes to nepotism and that has led to undermining its externalities. Therefore, I feel that we must work together as a society so that we can unmask as many issues as possible and progress towards a better future for our country and the economy.

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Inflation in India: Policies to Combat Inflation and its analysis

by Ugyen Wangmo, 1st year

Introduction

The country I chose to proceed with my assignment is India. It is one of the developing nations where inflation plays a significant role in its economy. India is one of the countries with the highest inflation rate and in my work, I have included the source of inflation, what are the strategies the country is following to combat the problem of inflation, and my analysis on it.

Inflation: Inflation is the decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time. The rise in the general level of prices often expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods

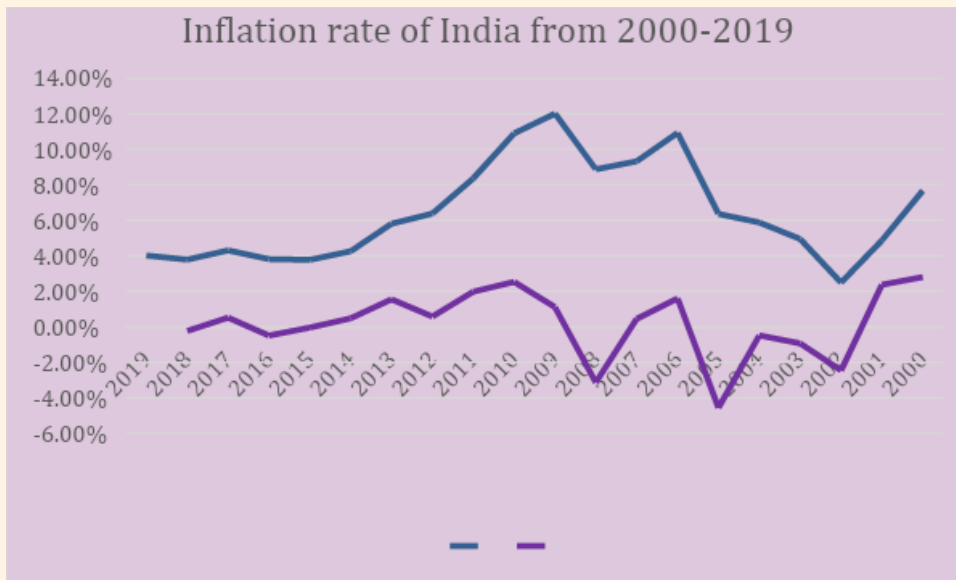
Statement of the Problem.

According to the Structuralist Theory of inflation, we know that in developing countries, inflation arises due to structural deficiencies. That will eventually lead to a bottleneck situation in different spheres that is followed by inflationary situations in such kind of country. India being one of the developing countries, these situations are prominent. Some of the major problem faced by the country which leads to inflation is;

1. India is mainly focused on agricultural activities.
2. In most parts of the country, the living style is traditional.

3. The country is overpopulated, the cost of development is huge.
4. The distribution of wealth is very uneven.
5. Their trade system is static.

Analysis of Data



India Inflation Rate - Historical Data

Year	Inflation Rate (%)	Annual Change
2019	7.66%	2.80%
2018	4.86%	2.37%
2017	2.49%	-2.45%
2016	4.94%	-0.93%
2015	5.87%	-0.48%
2014	6.35%	-4.55%
2013	10.91%	1.60%
2012	9.31%	0.45%
2011	8.86%	-3.13%
2010	11.99%	1.11%
2009	10.88%	2.53%
2008	8.35%	1.98%
2007	6.37%	0.58%
2006	5.80%	1.55%
2005	4.25%	0.48%
2004	3.77%	-0.04%
2003	3.81%	-0.49%
2002	4.30%	0.52%
2001	3.78%	-0.23%

The data above shows the inflation rate of India from 2001-2019. The initial upward slope in the inflation rate is due to the bottleneck situations in terms of agriculture, foreign exchange, and government resources. What leads to such structural deficiencies is market imperfections which leads to inefficiency and deadweight loss in society. Resources are not fully utilized and some of the population are engaged in informal or unorganized sectors.

If we look at the trends in the given line chart, the inflation has increased over years but then after 2010 where it had the highest inflation rate, the slope when negative. And the percentage increase from 2018 was the highest that is inflation increased by 2.80%.

Critical Evaluation of the policies

Monetary Policy

This policy is to help control the inflation rate and boost economic growth in the country. In May 2016, the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation-targeting framework. (Reserve Bank of India, n.d.)

The Central Bank, which is the Reserve Bank of India, formulates the monetary policy in the country.

The monetary policy basically includes;

1. Open Market Operations: buying and selling of bonds provided by the Government.

As capital flow is very low in India, it has to come up with policies accordingly. They have used two types of open market operations which are outright purchase and repurchase agreements.

2. RBI is responsible for the price control in the nation and as we know that India is a very big country where there is much difference between the poor and the rich in society. But they come up with policies to reduce inflation and one of the policies is to increase the bank rates. The RBI Governor has recently announced the reduction of the important policy rates on 22 May 2020 at the monetary policy review meeting which is a good step taken by the RIB as a measure addressing the current pandemic.

3. Increasing repo rates. Though increasing the repo rates would help to control inflation but due to the ongoing harsh situation in the country, they had to decrease their repo rate from 4.40% to 4%. Even though they have thought about the public, in the long run, I think that this might lead to greater inflation and the country might face a death trap. The RBI had been increasing its repo rate in past years but the unexpected famine that occurred has led to these consequences. However, I would recommend the RBI to make necessary changes in the repo rate as soon as the situation improves. Because changes in the repo rate will also lead to change in other types of the rate fixed by RBI

4. Cash reserve ratios and by buying dollars (foreign exchange reserves).

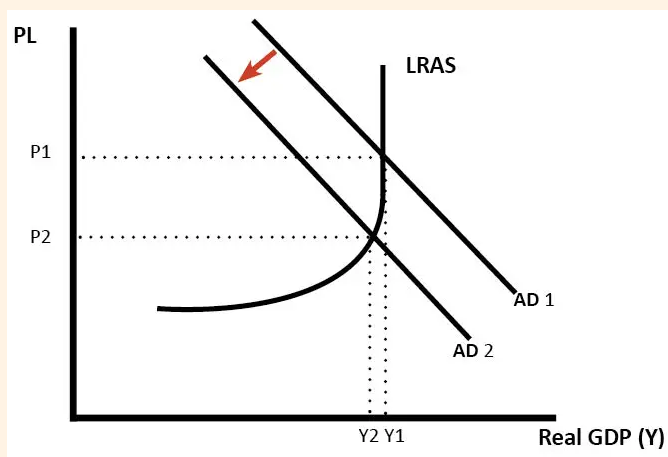
The above-mentioned policies are to reduce the supply of money in the market. This will help to reduce the aggregate demand from the people and hence the inflation to some extent can be reduced.

Fiscal Policy

The main objectives of fiscal policy are to boost economic growth, price stability, and full employment. The government of India controls the flow of tax revenues and public expenditure to navigate the economy. This also helps the government to effectively invest either on cash reserve or buying foreign exchange. In the current situation, India has fallen short of cash reserves whereby foreign aids are being provided. Due to its large population and black money market, the flow of taxes to the government is being affected which ultimately leads to inflation in the country. Fiscal policy, in a country like India, is critical in increasing the rate of capital accumulation in both the public and private sectors. The fiscal policy helps mobilize a significant amount of money for funding its various programs by taxation.

Fiscal policy also contributes to increasing the savings rate by delivering stimulus. The private sector is given sufficient incentives by fiscal policy. The government has the ability to raise taxes (such as income tax and VAT) while also reducing spending. This helps to minimize demand in the economy while also improving the government's budget situation.

Both of these policies reduce inflation by lowering aggregate demand growth. Reduced AD growth will reduce inflationary pressures without triggering a recession if economic growth is rapid. The graph below represents the relationship between them.



Conclusion

Inflation has been a major problem in India and to reduce it would not be easy for the Government, especially during such a pandemic. However, in the past years, India did create policies to combat inflation through monetary policy, fiscal policy, supply-side policy, and wage control. The primary cause of inflation as listed above was structural deficiencies along with the

increase in the price level, the decline in purchasing power, printing new money, and unorganized private sectors with low-profit margins. But the government has set goals which are making imports cheaper. (The lower price of imported goods) reducing demand for exports. The increasing incentive for exporters to cut costs.

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Relationship between R&D cost and Revenue. Hyundai Motors Company

by Sonam Choki, Sonam Dorji, Tika Maya Suberri, Kuenzang Dorji (3rd years)

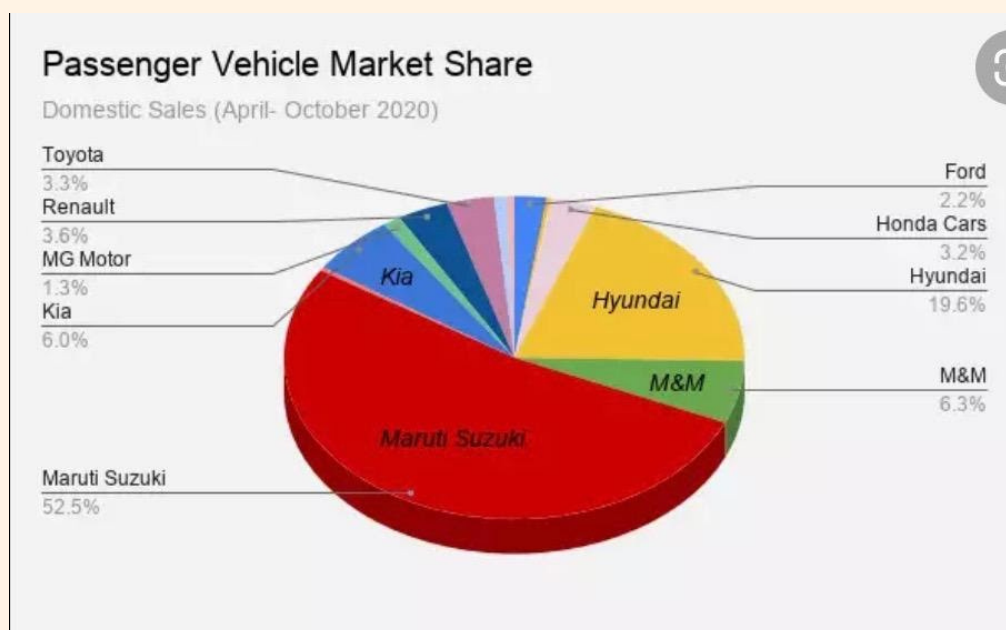
Introduction

Hyundai Motors Company is a South Korean-based company and was founded by Chung Ju Yung in 1967. In 1947 it was known as the Hyundai Engineering and Construction Company. Hyundai Company produces different classes of cars, the first model produced was Pony.

Situation Analysis

Hyundai Motor Group creates, manufactures, and sells automobiles, trucks, and buses. In 2015, it was the world's fifth-largest manufacturer, delivering 4.963 million vehicles through 6000 dealerships in 186 countries (Jurevicius, 2016). Hyundai is up against a growing amount of competition from both conventional and emerging firms in the automotive industry. New home-based Chinese manufacturers are competing in China, the major company's market, by offering lower pricing and similar features. Hyundai's worldwide competitors, such as Toyota, Ford, GM, and Volkswagen, have all aggressively expanded in China, the United States, and Europe's huge markets (Jurevicius, 2016).

New firms like Tesla, which makes electric cars, and even Google, which is working on self-driving cars, are posing a threat to the traditional automotive business. The fact that global car production capacity considerably exceeds demand fuels the competition even more. In 2015, the worldwide excess manufacturing capacity was expected to be 31 million units (Jurevicius, 2016).



Source: <https://auto.economictimes.indiatimes.com>

As the company is challenged by numerous rival firms in the market, for that reason the company had made significant improvements in its products to capture a larger market share. Their primary market target consists of different income people and they produce different types of cars to capture most market share and boost their revenue, for example, Venue car is produced meet the demand of middle-income people, Santro for the low income and Genesis for the high-income people. Furthermore, they came up with i10, i20, Elantra, and Accent and became popular offerings that driven the sales volume. Hyundai is making offers available to the market through its many dealerships and showrooms (Hyundai motors, 2019).

Analysis

Dependent variable: Research and Development cost (R&D)

Independent variable: Revenue (R)

Priori:

$$Y_{R\&D} = \beta_0 + \beta_1 X_{NR}$$

Interprétation

P Alpha

$$0.000 < 0.05$$

- As the p-value which is 0.000 is less than the alpha value 0.05, hence, Net Revenue is significant at a 95% confidence level.
- **Regression equation**

$$Y_{R\&D} = \beta_0 + \beta_1 X_R + U$$

$$Y_{R\&D} = 129379.454 - 19.012 X_R$$

R² = .826 or 82.6%, which shows 82.6% variation in research and development cost Hyundai company is explained by the independent variable revenue.

1 - .826 = .174 or 17.4% variations of R&D of Hyundai is explained by the other independent variables or excluded variables which is represented by the error term (U)

- Constant: 306.258

Keeping the independent variable Revenue (R) constant or 0, the dependent variable Research and Development cost (R&D) is 306.258

- Revenue (R) = .054

If Revenue (R) increases by ₩1 billion, then the Research and Development cost (R&D) will increase by ₩306.258 billion.

- From the above finding, R&D cost and net revenue show a positive relationship which means an increase in R&D cost will lead to rising in revenue of the company and vice versa.

- **Unstandardized Beta Coefficient**

When the revenue is increasing by 1 billion ₩, the R&D cost of increase by .054 billion ₩ of Hyundai car company

- **Standardized coefficient (.909)**

One percent increase in standardized deviations in Hyundai revenue will cause a 90.9% standard deviation change in R&D but remain positive.

- **Correlation**

The research and development cost and revenue show a very strong positive correlation, they are significant at a 99% confidence level.

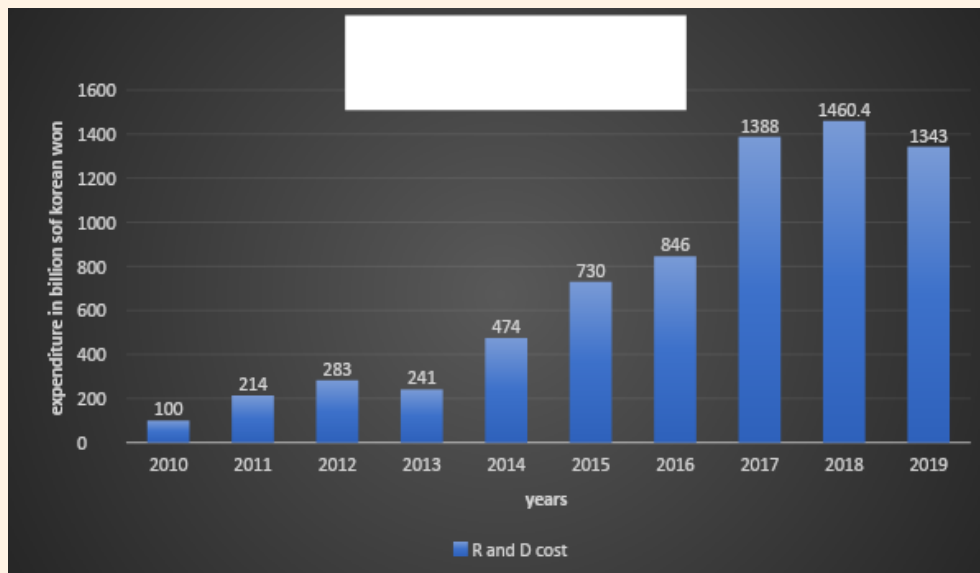


Figure 1.1 R and D expenditure

The above bar graph is the trend of R and D expenditure of Hyundai company from the year 2010 to 2019. Initially, the expenditure on research and development was not high which means they did not realize the importance of R&D, however, over time the market became more competitive and tense, so they started to invest in the R&D field. However, in 2019, we can see a slight decrease in the expenditure, it was because of the price war between China and the US who are the world's two biggest markets, in which they had low revenue which caused to fall in the expenditure of R&D field.

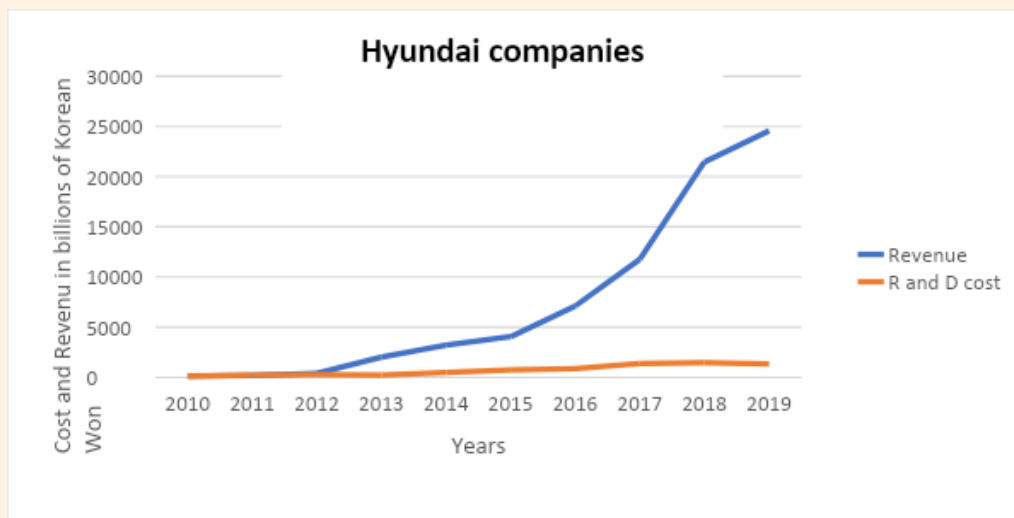


Figure 1.2 Gross Revenue and R and D expenditure

The above graph is the Revenue and R and D costs of Hyundai company from the year 2010 to 2019. The horizontal axis represents the number of years and the vertical axis represents the cost of R and D and the revenue of Hyundai company in billions of Korean Won. Initially, in 2010, both revenue and R&D cost was low and in the next two consecutive years, it remained constant. However, the revenue of the firm started rising from 2012, meanwhile, the R and D cost remained constant. The main reason for the increase in the revenue was because of the innovation of a new car known as Veloster in 2012 which had many new features, hence, the demand for the car increased, which hiked up the revenue of the company. Moreover, in 2017, they brought a new car named Sonata which had many new standard features, excellent fuel economy, and large cargo capacity for class. This hiked up their demand which led to a sharp increase in the revenue until 2018. However, in 2019, due to the price war of China and the US who are the world's two biggest markets, their demand decreased due to the devaluation of the currency in the two giant markets (Hankyorek, 2019).

Conclusion

Hyundai is up against a growing amount of competition from both conventional and emerging firms in the automotive industry. As there is a positive correlation between R and D expenditure and Revenue, the company should increase the R and D expenditure to increase the revenue and have growth.

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Annexure

Correlations

		Revenue	RandDCost
Revenue	Pearson Correlation	1	.909**
	Sig. (2-tailed)		.000
	N	10	10
RandDCost	Pearson Correlation	.909**	1
	Sig. (2-tailed)	.000	
	N	10	10

** . Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted Square	R	Standard error of (estimate)
1	.909 ^a	.826	.804		234.304

a. Predictors: (Constant), Revenue

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	306.258	98.742		3.102	.015
	Revenue	.054	.009	.909	6.154	.000

a. Dependent Variable: RandDCost

Inflation in Argentina: Causes and Policy Measures

by Tenzin Euden, 1st year

Table of Figures

Figure 1: Inflation in the last 15 years

Figure 2: Aggregate Demand and Supply curves

Figure 3: Peso/ US dollar

Argentina Inflation: Statement of the Problem of inflation in Argentina:

Argentina, a previously wealthy country now has annual inflation of 105% (El Pais Corporate, 2021). According to (O'Neill, 2021) inflation in Argentina was 34% in 2018. It was expected to rise to nearly 53.6% in 2019. A major factor contributing to this was a poor fiscal discipline which was left by the economic depression from 1998 to 2002.



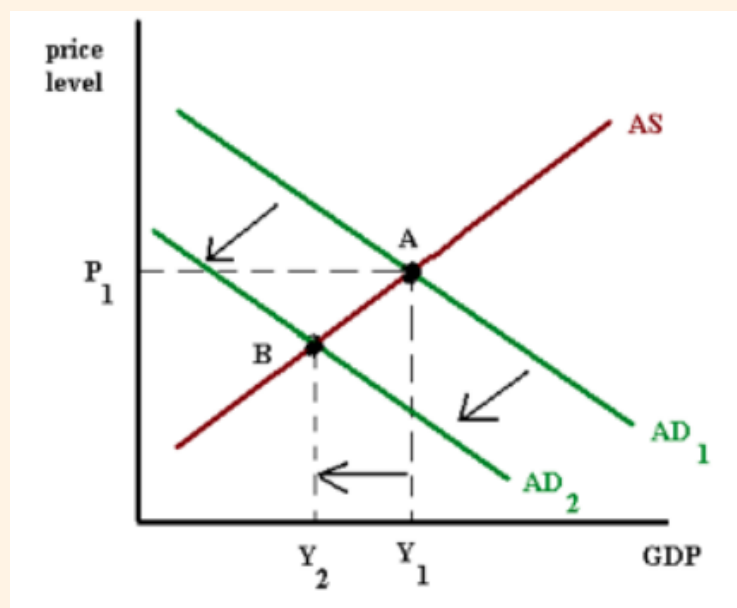
As observed from the graph, we can see a steady rise in the inflation percentage from the year 2004 to 2013 and then a sharp increase from 2013 to 2019. The constant increasing trend shows that Argentina was never really able to control its inflation. This is because it never fully recovered from the 1998-2002 crisis.

Causes of Argentina's Inflation

1. The Argentine Great Depression (1998-2002)

Argentina was an economic powerhouse during the late 19th century but that all came crashing down during the great Argentine depression. Hyperinflation was soaring in Argentina and in a response, a currency board was made in order to fix the exchange rate to control inflation. The peso was pegged to the US dollar. But, this went array when Brazil devalued its currency, making Argentinian goods

uncompetitive in the international market. The IMF stopped supporting Argentina and this led to a devaluation of the peso (Laira Aggarwal, 2018).



The graph illustrates the impact of changes in the Net Exports on the Aggregate Demand and Aggregate Supply of Argentina due to a reduction in exports. This reduction in exports was caused due to Brazil devaluing the peso.

The Aggregate Demand curve shifts left, thereby reducing the overall price level and real GDP of the economy. This is followed by the contraction of the economy.

Timeline of key dates:

Sourced from: (The Guardian, 2021)

1999: Fernando de la Rúa becomes Argentina's president.

2000: Argentina announces £649m in spending cuts which is later followed by 20,000 protesters taking to the streets.

December 18: Government announces £28bn aid package, largely secured by the International Monetary Fund. Markets react with a strong rally and some optimism creeps in.

2001: Mr. Machinea resigns as an economy minister leaving £3bn two-year austerity program with severe cuts in education. Stocks fall and are followed by heavy capital and interest payments on its debt. Argentinians withdraw £900m from their bank accounts when the cabinet announces a new debt of £34.6bn. Measures are implemented to put limits on monthly bank withdrawals. IMF announces it will not aid Argentina in the month of December. This is then followed by unemployment rates rising up to 18.3%. Riots occur with mass killings of at least 22 people and this leads to the president resigning. The debt is still considered one of the world's biggest defaults.

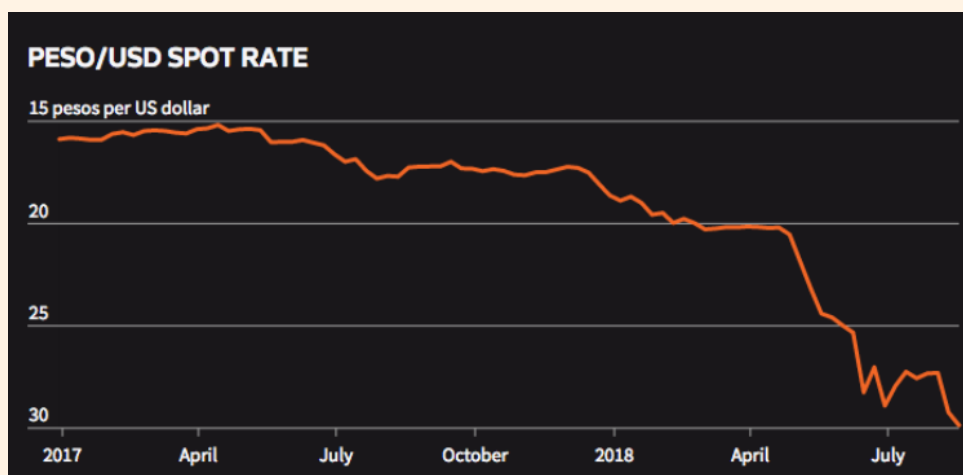
The most obvious causes of inflation in short are:

- Government instability
- Extensive borrowing by the government
- High-interest rates due to high fiscal budgets
- Unemployment
- Privatization of free enterprise

Current Economic Crisis in Argentina

We know that the economy never fully recovered after the depression. The inflation rate was increasing at a gradual pace up until 2013. Since the default back in 2002, Argentina has remained in isolation from foreign capital markets. This according to (Reuters, 2021) is due to Argentina's high price in commodities (soybeans and wheat). Which we learned was because the currency was pegged to the US dollar. Other factors such as high government expenditure on social welfare programs (in an attempt to ease the unrest cause amongst people), the printing of new money, and the declining value of the currency have led to a sharp increase in inflation from 10.62% to an alarming 25.68% and have been increasing exponentially ever since.

Overview of the major causes:



a) Devaluing of the Peso

The peso was expected to depreciate gradually over the years but it depreciated at an alarming rate when questioned by the US federal about the countries inability to control inflation. This depreciation in peso made Argentina's dollar debts more expensive and resulted in the government seeking a loan for 50\$ billion from IMF.

b) Printing of new money in order to combat the existing inflation

For years, governments printed money to finance budget deficits, causing consumer prices to increase. Macri's government has reduced that practice, but his increases in utility prices as part of an effort to reduce subsidies and close the fiscal deficit have kept inflation high. (Luc Cohen, 2021)

b) Selling of foreign currency reserves

The central bank's response to the rapid depreciation of the peso and hike in inflation was by selling billions of dollars in the foreign currency reserves in an attempt to protect the peso.

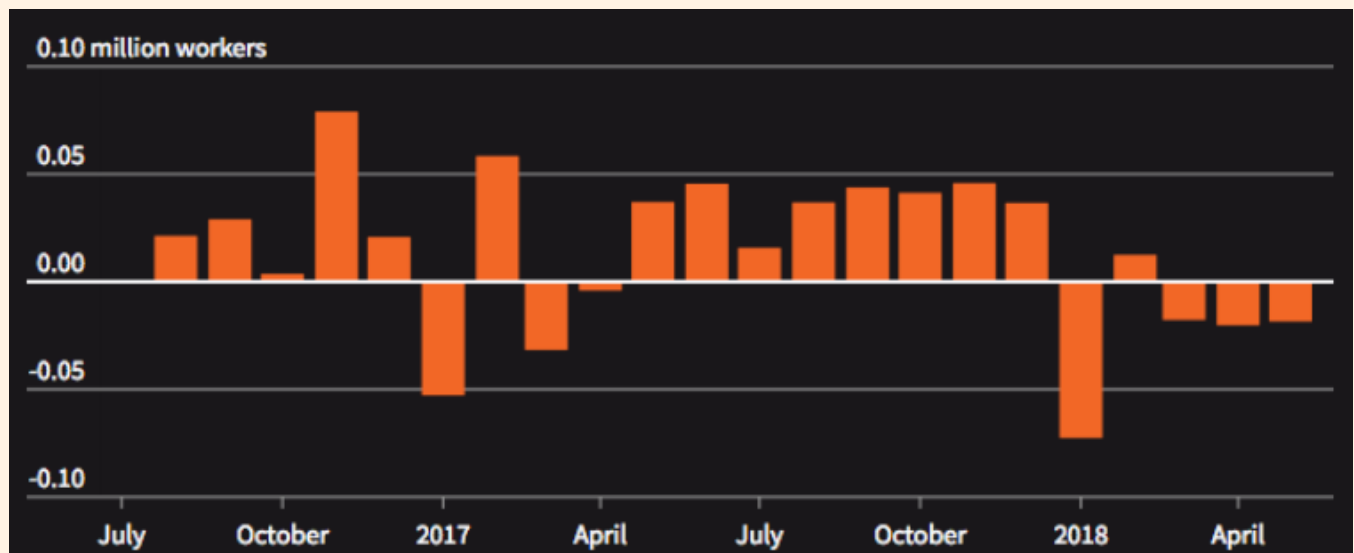
c) *Economic activities brought to a halt due to natural calamities*

Argentina has seen the worst drought in decades which has resulted in a halt of the harvest of soybeans and corn. With the backbone of its economy contracting, the agricultural sector is now a factor in the country's recession.

The economy fell by 6.7 percent in June, the worst monthly fall since the global financial crisis of 2009. (Luc Cohen, 2021)

d) Unemployment

With poverty increasing due to the economic downfall, the employment rate has also seen a sharp decline. The government plans to reduce infrastructure spending in an attempt to cut budget deficits, but this could lead to further job losses. (Luc Cohen, 2021)



Policies and its Critical Evaluation

Policies implemented by the Government to control Inflation (1998-2002)

1. Debt

The government announced that it was unable to pay back a total of \$85 billion. As a result, foreign investment ceased, financial markets devalued the peso, and inflation rose by an estimated 40%.

The measures the government took were:

- a) Restore competitiveness by self-induced deflation while decreasing the budget. This was done in order to put downward pressure on prices while allowing the govt. debt to be repaid partially. (IMF, 2018)

Critical Analysis: This policy is not effective as the people were already starting riots and protesting so a decrease in budget and real wages would further anger the public. The self-induced deflation would be near impossible as the currency had been pegged to the American dollar.

- b) A significant share in the banking system was made of US dollars while most of the liquidity held by banks was labeled in pesos.

Critical Analysis: Since, the liquidities were in peso, the banks were severely lacking US dollar liquidities. This would hamper the government's attempt to cover the deposits in dollars. All of this with the added pressure of the accumulation of debt resulted in the government defaulting on its external debt.

2. Exchange rate

By pegging the peso with the US dollar it led to Argentina losing its biggest trade partner, Brazil along with other foreign investments declining. In an attempt to regain foreign investment the govt. tried devaluing its currency and was forced to enact a “corralito” to avoid a bank run from Argentinians. Before the devaluation took place, the exchange rate for dollars was fixed to 1.4 pesos/USD.

Critical Analysis: With the currency devalued, the exchange rate proved to be a success as the export rose back up again. This promoted consumption and investment securing some stability for the country.

Conclusion for the 1998-2001 depression

Pegging the peso to the US dollar when the country was already in debt seemed at the time to be a good solution for the country's economic problem. But, it resulted in the loss of trade and foreign investment. The policy involved in controlling debt by reducing budget backfired as it caused further civil unrest. The only effective policy that helped boost the country's trade was by countering the first policy, depreciating the value of the peso.

Policies implemented by the Government for the year 2013-2020

Taxation on Farm Sectors and the Wealthy

The government plans to kick start the economy by taxing prosperous farm sectors and wealthy individuals.

Critical Analysis: In an attempt to reconstruct the country the putting pressure on the farm sector, a large contributor to the country's economy could lead to a decrease in the production of food. It would also mean the tax on these sectors would indirectly burden the public. This would again affect the consumption power of the middle-income people.

Conclusion

The country was not able to recover its foreign debt and therefore the government was forced to implement monetary policies such as pegging the peso to the dollar or decreasing the budget. Both of which had a negative outcome in terms of foreign investment, trade, and private investment. The first policy mistake the government made was pegging the peso when the country was already in debt.

A policy the government could have implemented was the Contractionary Monetary Policy. A popular method that does not involve controlling the price and wage and also avoids job loss. This policy aims to reduce the money supply by decreasing bond prices and increasing interest rates. This helps in reducing spending and promotes saving which fuels private investments. It also aims in reducing loans.

Another policy the government could have implemented is to increase reserve requirements in a bank. The mistake the government had made was selling enormous amounts of their US dollar reserves. By implementing this policy, the banks would have been able to cover some amount of withdrawals.

To conclude, the great Argentine Depression has impacted the economy of Argentina to the extent that it was become an unwanted foreign trade partner because of its' economic instability. The country was not able to repay its foreign debts and thus branded as a defaulter. In the analysis, the country could have avoided a severe increase in inflation if it had firstly, not take large amounts of loans from foreign investors. Secondly, avoided pegging the peso to the dollar. It would have not brought about the sharp decline in trade and foreign investment. Thirdly, had the country adopted strict contractionary monetary policies along with fixing exchange rates, the Argentine economy today would have been slightly better.

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Suicide cases, an alarming issue for Bhutan

by Anonymous

Source: Graduating class of 2021

People around the world have been dying from various reasons and unnatural deaths such as suicide have been one of the ways for taking away one's own life. Globally, around 800000 people die from suicide every year (Organization, 2019), and Bhutan alone witnesses around 12.16 per 100000 population from suicidal deaths which is a concern for the Gross National Happiness country (Dem, 2019). Around 91% of the suicidal cases have died from hanging and the rest includes substance consumption, jumping off a cliff or into the river, and stabbing (Bhutan, 2014). The major leading causes of suicide cases in Bhutan include mental illnesses comprising around 95% but around 80% are associated with depressive disorder and 10% from schizophrenia. Stigmatization associated with mental illness and the unavailability of services for suicide prevention also aids in the rising number of suicide cases. However, only around 30% of them sought help for mental illness (Lhamo, 2017). Thus, it should be the responsibility of each individual to seek help because we are losing the future leaders and wealth of the nation and hence, the economic growth rate is impacted negatively.

The suicide cases should be an alarming issue for Bhutan because Bhutan ranked 59th in the world for the deaths by suicides in 2017 which constituted around 12.16 per 100000 populations. It further dropped to the 54th rank in 2018 (Dem, 2019). As a result of the high suicide rate, economic growth is impacted negatively. It is because the potential decision-makers or the agents of change for tomorrow end their lives and thus, impact economic growth.

On 23rd September 2020, a 25-year-old university graduate, who was unemployed, hanged herself in a room in Thimphu after an argument with her sister. A 43-year-old employee of the corporate sector was also found dead with a suicide note on September 18, 2020 (Tshedup, 2020). He or she can be just one ordinary person to the world but to their family and their nation, they are the source of pride and wealth. Moreover, the following data shows the suicide cases recorded by Royal Bhutan Police between the years 2009 to 2013 across the districts and it is disheartening to see the loss of human capital to unnatural deaths (Bhutan, 2014). Thus, losing people to unnatural death should be a concern for everyone as they can be the source of pride in the future.

Table 1.1 Dzongkhag wise reported suicide cases

Dzongkhag	Number of completed cases	Number of attempted cases
Bumthang	5	0
Chukha	39	1
Dagana	15	1
Gasa	0	0
Haa	1	1
Lhuntse	6	0
Mongar	22	0
Paro	15	2
Pemagatshel	13	0
Punakha	13	1
Samdrup Jongkhar	13	0
Samtse	59	2
Sarpang	37	4
Thimphu	35	63
Trashigang	32	0
Trashiyangtse	15	1
Trongsa	5	0
Tsirang	16	1
Wangdue	10	1
Zhemgang	10	2
Non-National	17	1
BHUTAN	378	81

People around the world have been dying from various reasons and unnatural deaths such as suicide have been one of the ways for taking away one's own life. Globally, around 800000 people die from suicide every year (Organization, 2019), and Bhutan alone witnesses around 12.16 per 100000 population from suicidal deaths which is a concern for the Gross National Happiness country (Dem, 2019). Around 91% of the suicidal cases have died from hanging and the rest includes substance consumption, jumping off a cliff or into the river, and stabbing (Bhutan, 2014). The major leading causes of suicide cases in Bhutan include mental illnesses comprising around 95% but around 80% are associated with depressive disorder and 10% from schizophrenia. Stigmatization associated with mental illness and the unavailability of services for suicide prevention also aids in the rising number of suicide cases. However, only around 30% of them sought help for mental illness (Lhamo, 2017). Thus, it should be the responsibility of each individual to seek help because we are losing the future leaders and wealth of the nation and hence, the economic growth rate is impacted negatively.

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Moreover, the following data shows the suicide cases recorded by Royal Bhutan Police between the years 2009 to 2013 across the districts and it is disheartening to see the loss of human capital to unnatural deaths (Bhutan, 2014). Thus, losing people to unnatural death should be a concern for everyone as they can be the source of pride in the future.

In addition, not only the individual loses their life but the families, relatives, society, and the country are affected by the tragedy. People affected by the tragedy cannot be productive as they are emotionally unsound and hence, the growth of the economy takes place at a slower pace because of the ripple effect from the single individual suicide case.

Furthermore, suicide should be a concern for the Bhutanese government and people because we take so much pride in being recognized by the outside world as the happiest people and the country, and the developmental activities being guided by Gross National Happiness. So, it is an irony for a country guided by the happiness principle to have suicide cases on the rise. Along with the well-being of the people, if we are to grow as an economy, we need to work harder to maintain our unique selling point i.e., happiness.

Moreover, it was reported in Kuensel, a newspaper of Bhutan that more than 60% of the people who planned or committed suicide are aged between 15 to 40 years (Anonymous, 2015). The following table also proves that suicide cases were mostly from productive citizens (Bhutan, 2014). It was also reported in 2016 that, suicide is the second leading cause of death amongst the age group of 15 to 29 years old people globally (Organization, 2019). It is mostly the active and working population who are dying of unnatural deaths and thus, everyone should work towards reducing the suicide cases. Even the 5th king of Bhutan, Jigme Khesar Namgyel Wangchuck stressed that the future of Bhutan lies in the hands of today's youth, and thus, losing even a single person from our society should be a matter of concern.

Table 2.4 Attempted suicide cases by age group

Age group	Number	Percent
Less than 13	0	0.0
13-25	16	48.5
25-50	14	42.4
50-65	2	6.1
65+	1	3.0
TOTAL	33	100.0

Table 2.3 Completed suicide cases by age group

Age Group	Numbers	Percent
Less than 13	9	2.8
13-25	90	28.2
25-50	153	48.0
50-65	45	14.1
65+	21	6.6
Age not mentioned	1	0.3
TOTAL	319	100.0

Though suicide is a malaise, it can be reduced to some extent with each individual carrying the responsibility. Suicide should not be taken as the end of the problem rather individuals should look for alternatives to solve the problem on time. To the school-going youths, intervention by the school administration would aid in suicide prevention. Awareness should be created for a 25-year-old unemployed university graduate the people on how a suicidal person would act so that they can help while facing the situation. Moreover, follow-up care and community support should be provided to a suicide survivor.

In addition, the three-year action plan on suicide prevention that started in 2016 should create more awareness on the availability of suicide prevention services and support the individuals who are at risk of suicide (Dem, 2019).

In conclusion, suicide is not inevitable but preventable and each one of us is responsible for suicide prevention. Suicide prevention should be prioritized for we are saving the lives and future wealth of the nation. If we are to prevent suicide cases, along with the awareness for suicide prevention, the stigma attached to suicide has to be removed so that the people who are prone to suicide can come forward and ask for help on time. If we as a society work together to preventing and mitigating the suicide rate, we can save many lives and the economic growth of the country will be the by-product of the step taken toward solving this issue.

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