

THE OPEN UNIVERSITY OF SRI LANKA
 DEPARTMENT OF SOCIAL STUDIES
 BA DEGREE IN SOCIAL SCIENCES – LEVEL 5
 FINAL EXAMINATION (2007)
 SSU 3205 - AGRICULTURAL ECONOMICS



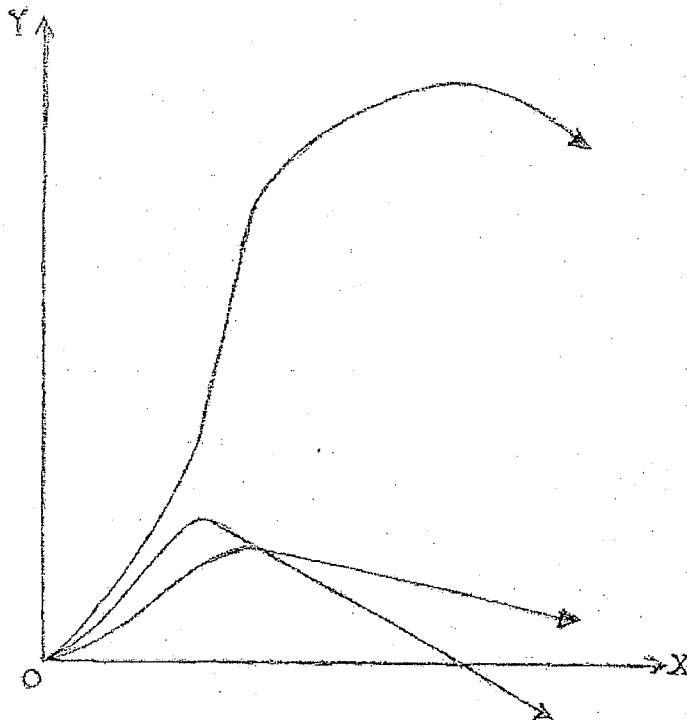
DURATION – THREE (03) HOURS

Date: 08th October 2007

Time: 9.30 a.m. – 12.30 p.m.

Answer five (05) questions only. Each question carries 20 marks.

1. (a) “Agriculture plays a major role in economic development in developing countries”. Discuss.
 (b) What are the reasons for the poor performance of subsistence agriculture sector in Sri Lanka?
2. Critically review the following hypothesis.
 “According to Arthur Lewis (1954), a ‘capitalist’ sector develops by drawing labour from a non – capitalist ‘subsistence’ sector, which is largely subsistence farming”.
3. (a) The Total Physical Product (TPP), Average Physical Product (APP) and Marginal Physical Product (MPP) curves are shown below for an input X_1 (water) applied to an output Y (paddy).



Note: Copy above curves onto your answer script.

Given these curves:

- (i) Label each curve and both axes.
 - (ii) On the graph above, indicate Stage II of the production function.
 - (iii) Why is Stage II considered as the "rational" area of production?
- (b) Differentiate Marginal Rate of Product Transformation (MRPT) from Marginal Rate of Technical Substitution (MRTS).
4. (a) "Market failure in agriculture can take many different forms". Explain.
(b) What are the constraints faced in formulating agricultural policies in developing countries?
5. Discuss appropriate criteria for determining price levels in a system of price interventions in agricultural markets in developing countries.
6. (a) Define the following concepts with respect to domestic agricultural sector in developing countries.
(i) Beliefs
(ii) Values
(iii) Attitudes
(b) Why are these concepts so important in formulating research methodology and policy recommendations for domestic agricultural sector?
7. (a) Distinguish between agricultural sector and rural development.
(b) Examine two approaches of rural development.
8. Write shorts on any **four (04)** of the following.
(a) The Grameen Bank and small farmers
(b) Intensive land use and extensive land use in agriculture
(c) Factor uncertainty and price uncertainty in agriculture
(d) FR Model and Lewis Model
(e) Natural resource indicators and national accounts
(f) Consumer surplus and producer surplus

*****Copyright reserved*****