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THE OPEN UNIVERSITY OF SRI LANKA
MASTER OF ARTS DEGREE IN DEVELOPMENT STUDIES AND PUBLIC
POLICY
FINAL EXAMINATION – 2008
SSP 2102 – CONTEMPORARY ECONOMIC THOUGHT & PUBLIC POLICY



DURATION – THREE (03) HOURS

Date: 29th June 2008

Time: 1.30 p.m. – 4.30 p.m.

Answer three (03) questions only.

1. James Buchanan was awarded the Nobel Prize in Economics in 1986 for his contributions to the field of Public choice. Discuss some of his specific contributions to the subject, why they were considered important and how actions of government were viewed within his framework. Please pay attention to what part of the economy his work focused on and why this was considered a breakthrough.
2. Ronald Coase was awarded The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel in 1991 for his contributions to economics of transactions costs and property rights. Discuss what is referred to as the Coase theorem and some of its implications for addressing efficient economic activity in the presence of externalities. Also discuss criticisms of the Coase theorem and its implications.
3. “According to Say’s Law supply creates its own demand”. Explain this statement.
4. Using the simple Keynesian Model, analyse the causes of the Great Depression. Discuss the relevance of this model for developing countries.
5. “Sen’s concepts of poverty, entitlement deprivation and capability enabled him to redefine development policy and the nature of the relationship between states and markets”. Discuss.
6. “Many of the failures of the Fund and the Bank result from unscientific and mechanical conceptions of economic processes that are now commonly labeled as ‘Market Fundamentalism’”. Discuss.
7. “Becker looks upon the household as a small factory producing services for the household members rather than as a social entity that has a choice between income and leisure”. Discuss Becker’s application of this approach to explain changes in family size and in the decisions on labour force participation by household members.
8. “Rational Expectations Theory, combined with the Lucas Supply Function, proposes a smaller role for government policy intervention in the economy”. Review this statement critically.

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