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**THE OPEN UNIVERSITY OF SRI LANKA  
DEPARTMENT OF SOCIAL STUDIES  
MASTER OF ARTS DEGREE IN DEVELOPMENT STUDIES AND PUBLIC POLICY  
CONTEMPORARY ECONOMIC THOUGHT AND PUBLIC POLICY (SSP 2128)  
FINAL EXAMINATION - 2009**

**DURATION: THREE (03) HOURS**

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**Date: 16<sup>th</sup> August 2009**

**Time: 1.00 p.m. – 4.00 p.m.**

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**Answer three (03) questions only**

1. Discuss how Keynes explained the unemployment problem in a capitalist economy.
2. Explain the terms “time consistency problem” as it applies to macro economic management and the specific approach that Edward Prescott and his colleague Kydland took to policy making.
3. Discuss the fundamental ideas of James Buchanan and their relevance and contributions to the subject of economics and political science.
4. Discuss the Coase Theorem or proposition and its relevance to the use of natural resources.
5.
  - (a). Differentiate adaptive expectations from rational expectations.
  - (b). Distinguish between effects of anticipated and unanticipated policy actions.
  - (c). Differentiate the *Lucas supply function* from the *Keynesian aggregate demand function*.
6. Examine why Joseph Stiglitz has reservations about the neoclassical economic theory.
7. “Becker’s stark economic conception of action cuts through the romantic mist that so often blinds social scientists to the hard core choices faced by families and their members”-(Hannan) What major aspects of family behaviour are captured in Becker’s *Treatise on the Family*?
8. Assess Amartya Sen’s contribution to welfare economics.