



**THE OPEN UNIVERSITY OF SRI LANKA**  
**DEPARTMENT OF SOCIAL STUDIES**  
**MA IN DEVELOPMENT STUDIES AND PUBLIC POLICY**  
**(A COLLABORATIVE PROGRAMME OF THE OUSL AND MARGA INSTITUTE)**  
**SSP1223/1216 – ECONOMIC FUNDAMENTALS OF DEVELOPMENT**  
**FINAL EXAMINATION – 2010**  
**DURATION: THREE (03) HOURS**

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**Date: 13 November, 2010**

**Time: 9.30 am – 12.30 pm**

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**Answer four (04) questions. Each question carries 25 marks.**

1. Describe the major expenditure groups that form the components of the consumer price indices compiled in Sri Lanka. Evaluate the strengths and weaknesses of CCPI (Base 2002 =100) as an indicator for measuring price trends.
2. "A nation's macroeconomic policy framework should be a coordinated set of fiscal and monetary policies aimed at enhancing the efficiency of resource allocation, the equalization of wealth and price stability". Explain.
3. Explain the processes involved in the following circumstances.
  - a. Increase in Government borrowing increases interest rates. As interest rates rise investments fall.
  - b. Low capital expenditure allocations have weakened the infrastructure conditions of the country.
4. 'Structural Adjustments (SA) are prescribed when countries have serious and unsustainable economic imbalances in the domestic budget and the balance of payments'. Discuss this statement with reference to the performance of Sri Lanka in its Structural Adjustment Programmes.
5. What are the common elements that could be observed in the East Asian development process? Discuss their relevance to the present economic development processes in Sri Lanka.
6. 'Inflation decelerated to 14.4 per cent by the end 2008, from its peak of 28.2 per cent in June 2008, and reached single digit levels by end February 2009'. Explain the mechanism usually adopted by the Central Bank to curtail inflation and to promote investment.
7. 'In most developing countries imports rise faster than exports impeding growth'. Discuss this statement with reference to Sri Lanka's trade balance in the past three years.
8. Write short notes on any four (4) of the following.
  - (a) Washington Consensus
  - (b) Arguments in favor of free trade
  - (c) Financial Sector Reforms
  - (d) Neoclassical Growth Model
  - (e) Statutory Reserve Ratio
  - (f) Budget and Monetary Policy