

THE OPEN UNIVERSITY OF SRI LANKA
MA DEGREE IN DEVELOPMENT STUDIES AND PUBLIC POLICY 2014/2015
MARGA-OUSL COLLABORATIVE PROGRAMME – LEVEL 8
SSP2128/2102 - CONTEMPORARY ECONOMIC THOUGHT AND PUBLIC POLICY
FINAL EXAMINATION – 2014



DURATION: THREE (03) HOURS

Date: 13 December 2014

Time: 1.30 p.m. – 4.30 p.m.

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

1. Keynes advised the governments to engage in discretionary spending and taxation to cure depression and unemployment. Discuss this statement with reference to the government expenditure proposals in the budget for 2015.
2. Friedman and Keynes both agreed that successful macroeconomic management was necessary because the private economy on its own might be subject to unbearable instability. Compare and contrast their policy recommendations to deal with economic instability.
3. Stiglitz believes that governments should intervene to overcome market failures. Examine the reasons espoused by Stiglitz for market failures.
4. Discuss Amartya Sen's concept of "capability" and its implications for public policy.
5. Explain the new classical argument that 'a policy that depends on the assumption that the public systematically misunderstands its own interest is likely to fail'.
6. North argues that the economic institutions are derived from political institutions, and the political institutions formulate and implement the economic rules of the game. Discuss this statement in the light of his views on Property Rights.
7. Becker's economic approach to the family assumes that even intimate decisions such as marriage, divorce and family size are made by weighing advantages and disadvantages of alternative actions. Discuss Becker's theory on these family decisions.
8. "The 18th century wisdom of classical political economy was lost through two centuries of intellectual folly. Public choice does little more than incorporate a rediscovery of this wisdom and its implications into economic analyses of modern politics". Critically analyze this view point of Buchanan in relation to Sri Lanka's policy making experiences in the past decade.