



**THE OPEN UNIVERSITY OF SRI LANKA
MA DEGREE IN DEVELOPMENT STUDIES AND PUBLIC POLICY 2012/2013
MARGA-THE OPEN UNIVERSITY OF SRI LANKA COLLABORATIVE
PROGRAMME – LEVEL VII
SSP2128/2102 - CONTEMPORARY ECONOMIC THOUGHT AND PUBLIC POLICY
FINAL EXAMINATION – 2012**

DURATION: THREE (03) HOURS

Date: 09th December 2012

Time: 9.30a.m.-12.30p.m.

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

1. Keynes believed that the government can use fiscal policy as a major tool to restore the effective demand, and proposed that this should be done even by running a budget deficit. Discuss the rationale behind this thinking.
2. According to monetarists, the major cause of economic fluctuations lies in inappropriate government actions rather than private sector instability in a market system. Critically analyze.
3. Discuss Amartya Sen's concepts of freedom and capability and examine how they have enhanced our understanding of development.
4. Discuss why Stiglitz is critical of *deregulation*, and what lessons developing country policy makers can draw from his analysis of imperfect markets.
5. Discuss the ways in which Gary Becker explains changes in key characteristics of the post modern family in economic terms
6. "The new-classical theory assumes that people would adjust their behavior to national economic policy, and, therefore, proposes that policy makers should find ways to formulate policies that are unpredictable. Do you agree with this position, why?"
7. Discuss what market externalities are and the suggestions that Ronald Coase had to deal with them.
8. What did Oliver Williamson say about the role of the firm with regard to governance and how does this fit in with the ideas of an efficient and free market?