

**UNIVERSITY OF COLOMBO- SRI LANKA**  
**FACULTY OF ARTS**  
**MASTER OF FINANCIAL ECONOMICS-2017**  
**Final Examination-Semester II**  
**MFE 07: Current Economic Issues**  
**Three (03) Hours Only**

Answer any **five (05) questions only**. All questions carry equal marks.

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1. "Today, 55% of the world's population lives in urban areas, a proportion that is expected to increase to 68% by 2050. Projections show that urbanization, the gradual shift in residence of the human population from rural to urban areas, combined with the overall growth of the world's population could add another 2.5 billion people to urban areas by 2050, with close to 90% of this increase taking place in Asia and Africa." UN

- i. Is there a relationship between economic development and urbanization?
- ii. What are the disadvantages of living in rural areas?
- iii. Why do overwhelming majority of Sri Lankans prefer rural life?

2. "The world economy continued its recovery and global growth increased to 3.3 percent in the last two quarters of 2017. Growth in the United States accelerated to 2.3 percent in the third quarter of last year and further to 2.6 percent in the fourth quarter. In the Eurozone, growth accelerated to 2.7 percent and 2.8 percent respectively. Developing countries grew slightly more slowly last year than in 2016, but their growth picked up to 6.6 percent in the last quarter of 2017." World Bank

- i. Why is the economic growth emphasized always?
- ii. What were the major contributory factors for the recent global economic recovery?
- iii. Is the United States economic growth acceleration important to the global economy?  
Give reasons for your answer.

3. "The Human Development Index (HDI) emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone." UNDP

i. Briefly examine the above statement.

ii. Why has Sri Lanka managed to maintain higher HDI than her peer groups?

iii. Is there a tradeoff between acceleration of growth and achieving higher HDI? Give suitable examples for your answer.

4. "Every year, we waste \$2 trillion on corruption. If that sounds like a lot of money, that's because it is – and it's just the tip of the iceberg." World Economic Forum

i. What are the economic implications of corruption?

ii. Do you think that corruption grows along with the expansion of the public sector? Give reasons for your answer.

iii. What do you propose to control the corruption in developing countries?

5. "The Golden Age of Capitalism spanned from the end of the Second World War in 1945 to the early 1970s, when the Bretton Woods monetary system collapsed. It was a period of economic prosperity with the achievement of high and sustained levels of economic and productivity growth."

i. Briefly examine the global economic performance during the Golden Age of Capitalism.

ii. How do you identify the mainstream economic policies in the post Golden Age of Capitalism?

iii. Why has the post conflict Sri Lanka failed to maintain strong growth momentum?

6. "An integral part of Donald Trump's 2016 presidential election campaign platform was his promise to protect US industry while simultaneously pursuing economic deregulation." *Independent*

i. Briefly examine the above statement.

ii. Identify the major economic achievements of the US during Trump's administration.

iii. What are the possible global economic consequences Trump's administration?

7. "India's growth in recent years has been supported by prudent macroeconomic policy: a new inflation targeting framework, energy subsidy reforms, fiscal consolidation, higher quality of public expenditure and a stable balance of payment situation. In addition, recent policy reforms have helped India improve the business environment, ease inflows of foreign direct investment (FDI) and improve credit behavior." World Bank

- i. Write a brief account on the above statement.
- ii. What are the major contributory factors for Indian economic growth?
- iii. To what extent is population pressure affecting the Indian economic development?

8. "Bull markets end when economies go into recession, not because of high valuations. There's nothing on the horizon to suggest the economy is on anything but stable ground. Violent fluctuations, however painful, happen, but history shows that the fundamentals ultimately prevail." Bloomberg

- i. What are the macroeconomic implications of bull markets?
- ii. Why do investors choose stock instead of other options?
- iii. Briefly examine the relationship between interest rate changes and stock market performance.

9. "After reaching 3.1 percent in both 2017 and 2018, global growth is expected to decelerate over the next two years as global slack dissipates, major central banks remove policy accommodation, and the recovery in commodity exporters matures. Amid moderating international trade and tightening global financing conditions, growth in emerging market and developing economies (EMDEs) is projected to plateau, reaching 4.7 percent in 2019 and 2020, up from 4.5 percent in 2018." World Bank

- i. Briefly examine the above statement
- ii. To what extent will the looming trade wars affect the world economy?
- iii. Do you think that the ongoing economic sanctions affect the world economy adversely? Give reasons for your answer.

10. Write detailed notes on any **three (03)** of the following

- i. Forth industrial revolution
- ii. World economic leadership
- iii. Middle income trap
- iv. Human capital and life expectancy
- v. Global Poverty
- vi. Asian Century