

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF ARTS

Fourth Year Examination in Arts - 2021/2022

(End of First Semester)

ECN 4170: Alternative Economic Thought

Time: Two Hours Only

Answer FOUR (04) Questions Only.

1.

(a). What are the main characteristics of the economy highlighted by the Classical Economics School of Thought and how realistic are they in the current context? (10 Marks)

(b) Explain how Keynes proposed, using Effective Demand Management as the solution, to both the problems of unemployment and inflation; and then argue as to why such a measure would not be successful in the current Sri Lankan context. (15 Marks)

2.

(a) New Classical Economists proclaim Policy Ineffectiveness in the context of both fiscal and Monetary Policy. Explain their views highlighting the main ideology that leads to such a conclusion. (12.5 Marks)

(b) "Labour Market imperfections lead to the idea of set wages under New Keynesian Economics". Discuss this statement focusing on three instances that lead to imperfect labour markets and set wages. How does the existence of wage setting cause unemployment in the labour market?

(12.5 Marks)

3.

(a) What labour, education and industrial policies should Sri Lanka focus on, as it strives to achieve endogenous economic growth? Discuss drawing on the ideas of Lucas and Nancy Stokey and the experiences of the 'Asian Tigers'. (15 Marks)

(b) Write short notes on any TWO (02) topics below:

(i) The Golden Age criticism as it relates to the Harrod-Domar Growth Model

(iii) Robinson-Kaldor Growth Model under Post-Keynesian Economics

(iv) Kaleckian Growth Model under Post-Keynesian Economics

(5 Marks per section)

4.

(a) Select any TWO (02) of the following political economic frameworks, and briefly discuss how each conforms to, and deviates from, Buddhist economic philosophy:

- (a) Keynesian framework
- (b) Neo-liberal framework
- (c) Marxian framework

(6 Marks per section)

(ii) While rationalizing your arguments based on Buddhist economic teachings, attempt to diagnose the main root causes behind the current economic crisis in Sri Lanka, and propose remedial strategies to overcome it. (13 Marks)

5.

(a) Critically examine how the change of foreign debt dynamics in Sri Lanka contributed to the ongoing economic crisis (12 marks)

(b) Using examples discuss how states lose their authority on economic policy making when economic vulnerabilities increase. (13 marks)

6.

(a) Briefly explain how financialization caused the global financial crisis 2008/09, using Minsky's financial instability hypothesis (hint: discuss the three stages of lending in your answer). (13 marks)

(b) 'Credit has the ability to build a modern economy, but the lack of credit has the ability to destroy it' Discuss this statement. (12 marks)

7.

(a) Outline and discuss the salient features of neo liberal economic policies implemented in developing countries during the 1980s and 1990s. (8 marks)

(b) What are underlying reasons for developing countries to implement neoliberal economic policies during this period? (8 marks)

(c) Examine critically the impacts of neo liberal policies on economic as well as social existence of developing countries. (9 marks)

8.

(a) "According to Post Keynesians, both persistence of unemployment and macroeconomic instability are the result of uncertainty." Do you agree with the statement? Explain your answer with examples. (8 Marks)

(ii) Briefly compare how Classical economists and post-Keynesians perceive money. (8 Marks)

(iii) Examine why people hold money even though there is no return on money"? Explain your answer taking the current economic uncertainty prevailing in Sri Lanka. (9 Marks)

9. Write short notes on any Four (04) of the following topics

- i) State vs Government
- ii) Marx's Concept of Surplus
- iii) Stagflation
- iv) Thorstein Veblen Conspicuous Consumption and Leisure
- v) Incorporating transactions costs under New Institutional Economics
- vi) Monetarist approach to controlling inflation

----- End of Examination -----

