

UNIVERSITY OF COLOMBO- SRI LANKA

FACULTY OF ARTS

THIRD YEAR EXAMINATION IN ARTS (ECONOMICS) 2017

ECN 3273-INDUSTRIAL ECONOMICS AND POLICY

Time Allowed: 2 hours

Answer Three (4) Questions only

All questions carry equal marks

1. (a) Identify the key features of the import-substituted industrial policy and the Export-oriented industrial policy. (13 marks)
(b) "In term of industrial policy, Sri Lanka is an utter failure.' Critically examine the above statement (12 marks)
2. "The theory of Second Best provides a rationale for many different types of protections in an economy. But this is not an 'economic nirvana'"
 - (a) Define the theory of the second best (05 marks)
 - (b) How do you define the concept of 'economic nirvana'? (05 marks)
 - (c) "An appropriate industrial policy can act to raise economic efficiency and improve national welfare. This provides an economic rationale for government intervention in the market". Critically evaluate the above statement. (15 marks)
3. Select any one of the following countries in your choice and write a short note on its industrial policy. What can Sri Lanka learn from its experience? (25 marks)
 - (a) India
 - (b) Thailand
 - (c) Singapore
 - (d) Japan
 - (e) South Korea
 - (f) Europe
4. (i) Briefly examine key features of the industrial policy in Sri Lanka between 1948 and 1977 **OR** after 1977. (15 marks)
(ii) What factors might be taken into account for an industrial policy package in Sri Lanka? Explain your answer (10 marks)
5. (i) If you were recruited to develop a SME policy framework for Sri Lanka, highlight key areas that you should include in it. (13 marks)
(ii) Why does the Sri Lankan economy need a well design SME policy package? (12 marks)

6. In past the justification for industrial policy in developing countries rested on the need to protect infant industries (Soludo et al 2004). In recent years, the economic case for industrial policy has focused on either the need to respond to market failure or more broadly the need to address systemic failure and build capabilities (Rodrik 2008).
- (i) Briefly explain systemic failure and build capabilities. (12 marks)
 - (ii) Critically evaluate the above statement. (13 marks)
7. 'Industrial policy is an attempt by a government to encourage resources to move into particular sectors that the government views as important to future economic growth'.
- (i) Explain the above statement (09 marks)
 - (ii) What are the key principles of industrial policy? (08 marks)
 - (iii) What are the Rodrik's design principles? (08 marks)
8. Briefly discuss any four (5) of the following concepts
- i. Industrial Cluster and SME development
 - ii. Public goods and government intervention
 - iii. Foreign Direct Investment (FDI)
 - iv. Information asymmetric
 - v. Externalities
 - vi. Good governance
 - vii. Economic efficiency and industrial policy

(Each section carries equal marks)