REV-01
MEC/02/10

2023/06

SET A

MA ECONOMICS
SECOND SEMESTER [REPEAT]
WELFARE ECONOMICS
MEC - 205
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. Full Marks: 70

Objective

Time: 30 mins. Marks: 20

Choose the correct answer from the following: *1×20=20*

1. "When the values of marginal social net product are equal in all the industries, then total national income will increase as well as the welfare of the economy will also increase." Who said this?
   a. A.C Pigou
   b. Kaldor
   c. Amartya Sen
   d. None of the above

2. Fulfillment of reversal test is the sufficient condition of:
   a. Kaldor Hicks principle
   b. Scitovsky"s principle
   c. Arrow Debreu model
   d. None of the above

3. Social cost is :
   a. Only Producers cost
   b. producers cost+ other external cost
   c. Both a and b are correct
   d. None of the above

4. In Walrasian stability slope of demand curve
   a. Positive and steep
   b. Positive flat
   c. Negative flat
   d. All of the above

5. When any small disturbances put the economy away from equilibrium and other forces to further take the economy away/deviate more from the initial point of equilibrium; then it is
   a. Stable equilibrium
   b. Unstable equilibrium
   c. Neutral equilibrium
   d. Not sure

6. If there is a fixed price and all economic agents tries to achieve that fixed price to get into equilibrium; then it is
   a. Brouwer"s Fixed Point Theorem
   b. General equilibrium
   c. Both a and b are correct
   d. Only a is correct

7. Tangency of isoquants for combination of good x and y implies that
   a. Slopes are equal in each point
   b. One point is not more efficient than the other
   c. RTS is equal in each point
   d. All of the above are correct

8. Difference between General and Partial Equilibrium equation exists in terms of:
   a. Ceteris paribus, constant returns to scale and identical LAC
   b. Constant returns to scale and identical LAC
   c. Tastes and preferences are constant
   d. Ceteris paribus and constant returns to scale

9. Fundamental theorem of welfare economics states that common trade off point of adjustment for all economic agents are
   a. Px/Py
   b. Px/Py= MRTSx,y=MRSx,y
   c. MRTSx,y=MRSx,y
   d. Only a and b are correct options

10. Productive efficiency in the long run under perfect competition means
   a. AR=ACmin
   b. Doing things right
   c. Factors used results in lowest cost per unit of output
   d. All of the above

11. Productive efficiency of a firm implies
   a. Minimum point at AC curve
   b. Maximum output with minimum cost
   c. Optimal input use
   d. All of the above

12. All points on the contract curve:
   a. Are not Pareto Efficient
   b. Are Pareto improving
   c. Are Pareto efficient
   d. Are politically attainable

13. Suppose Kelly and Jerry are at an allocation bundle where their MRS are not equal. Then:
   a. They are happy
   b. They are in equilibrium
   c. They are outside the Edgeworth Box
   d. They are trading

14. The first theorem of welfare economics states that
   a. A competitive equilibrium is Pareto efficient
   b. A competitive equilibrium may be Pareto efficient
   c. All prices are equal in competitive equilibrium
   d. A competitive equilibrium maximizes profit

15. Efficiency in production requires that:
   a. Marginal rate of substitution are equal for all consumers
   b. MRTS are equal for all firms
   c. The production function for all firm is Cobb-Douglas
   d. None of the above

16. When indifference curves intersect in an Edgeworth box, it indicates that:
   a. the equilibrium is Pareto inefficient.
   b. some goods are Giffen.
   c. the equilibrium is unstable.
   d. there is excess demand.

17. Suppose the total endowments of two goods are 10 and 50. If one person is consuming 10 units of the first good, the second person must be consuming:
   a. zero units of the first good.
   b. 50 units of the second good
   c. 10 units of the first good
   d. his initial endowment

18. In Arrow"s theory
   a. It is possible to fulfill all the axioms
   b. It is impossible to fulfill all the axioms
   c. At least one axioms will be violated
   d. Both b and c correct

19. Old school welfare economics are:
    a. Kaldor Hicks
    b. Scitovs"kys
    c. John Rawls
    d. All of the above

20. Nicholas Kaldor theory of social welfare is
    a. Gainers compensate the loosers
    b. Grounded on Pareto criteria
    c. Both a and b true
    d. None of this

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Descriptive

Time : 2 Hr. 30 Mins. Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. What is the role of fundamental welfare theorem? Explain the two fundamental welfare theorems. Explain the significance of Edgeworth Box. 2+3+5=10

2. Briefly explain the cost structure of a PCM firm and its relevance in determining the price and output of such a firm? Define the fundamental role of the marginal cost in achieving efficiency in a perfectly competitive market? 6+4=10

3. What is an economically efficient allocation? How does an economically efficient allocation differ from an inefficient allocation? What do you mean by the term „technical efficiency"? 3+2+5=10

4. What is the ideal output or ideal allocation as mentioned by Pigou? What are the conditions of optimum welfare in Pigouvian analysis? Does market system always generate socially optimal solution in the Pigouvian analysis? 2+4+4=10

5. What is the production possibilities frontier? What is the marginal rate of transformation? What role does consumer utility maximisation and firm cost minimization play in a general equilibrium analysis? 2+1+7=10

6. a) Explain Scitovsky"s paradox. How is it differs from Kaldor – Hicks principle? 5+5=10
   b) Explain diagramatically the role of excess demand function in Walrasian system.

7. Explain the stability conditions developed by both Marshall and Walras. Also explain the conditions of unstable equilibrium in both Walrasian and Marshallian. 5+5 =10

8. Critically examine Arrow"s impossibility theorem. 10

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