

**MA ECONOMICS
SECOND SEMESTER
WELFARE ECONOMICS
MEC-205**

Duration : 3 hrs.

Full Marks: 70

(PART-A: Objective)

Time : 20 min.

Marks : 20

Choose the correct answer from the following:

1X20=20

- All points on the contract curve:
 - Are not Pareto Efficient
 - Are Pareto improving
 - Are Pareto efficient
 - Are politically attainable
- Suppose Kelly and Jerry are at an allocation bundle where their MRS are not equal. Then:
 - They are happy
 - They are in equilibrium
 - They are outside the Edgeworth Box
 - They are trading
- The first theorem of Welfare Economics states that
 - A competitive equilibrium is Pareto efficient
 - A competitive equilibrium may be Pareto efficient
 - All prices are equal in competitive equilibrium
 - A competitive equilibrium maximizes profit
- Efficiency in production requires that:
 - Marginal rate of substitution are equal for all consumers
 - MRTS are equal for all firms
 - The production function for all firm is Cobb-Douglas
 - None of the above
- When indifference curves intersect in an Edgeworth Box, it indicates that:
 - the equilibrium is Pareto inefficient
 - some goods are Giffen
 - the equilibrium is unstable
 - there is excess demand
- Marginal Productivity theory of distribution is given by
 - Ricardo and West
 - Keynes
 - Alfred Marshall
 - Pigou and Pareto
- In Arrow's theory ____
 - It is possible to fulfill all the axioms
 - It is impossible to fulfill all the axioms
 - At least one axioms will be violated
 - Both b and c correct
- Old school welfare economics are:
 - Kaldor Hicks
 - Scitovs'kys
 - John Rawls
 - All of the above

9. Nicholas Kaldor theory of social welfare is ____
- a. Gainers compensate the losers
b. Grounded on Pareto criteria
c. Both a and b true
d. None of this
10. "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
11. In monopsony there is only one
- a. buyer
b. seller
c. Both a and b
d. None of the above
12. 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
13. In Walrasian stability slope of demand curve ____
- a. Positive and steep
b. Positive flat
c. Negative flat
d. All of the above
14. 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. ~~Stable equilibrium~~
c. Neutral equilibrium
d. ~~Neutral equilibrium~~ None of above
15. 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
16. 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
17. 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
18. Fundamental theorem of welfare economics states that common trade off point of adjustment for all economic agents are ____
- a. P_x/P_y
b. $P_x/P_y = MRTS_{x,y} = MRS_{x,y}$
c. $MRTS_{x,y} = MRS_{x,y}$
d. Only a and b are correct options

19. Productive efficiency in the long run under perfect competition means ____
- a. $AR = AC_{\min}$
 - b. Doing things right
 - c. Factors used results in lowest cost per unit of output
 - d. All of the above
20. 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
- - - - -

(PART-B : Descriptive)

Time: 2 HRS 40 MINS

Marks : 50

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

1. Explain the three Pareto optimality criteria of welfare economics. 10

2. What is an economically efficient allocation? Explain different types of social welfare function. 2+8=10

3. Explain Kaldor Hicks compensation criteria and Scitovsky's double criteria. 5+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. Define factor pricing under perfect competition. 10

6. Explain the backward bending supply curve of labour with suitable diagram. 10

7. Explain Walrasian General Equilibrium model. 10

8. Critically examine Arrow's impossibility theorem. Also explain the theory of 2nd best. 7+3=10

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