

MA ECONOMICS  
SECOND SEMESTER  
WELFARE ECONOMICS  
MEC - 205

**SET  
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 1.30 hrs.

Full Marks: 35

Time: 15 mins.

**(Objective)**

Marks: 10

*Choose the correct answer from the following:*

*1×10=10*

1. Welfare economics is branch of Economics dealing with
  - a. Social issues
  - b. Normative issues
  - c. Political issues
  - d. None of these
2. Social welfare function
  - a. Ranks various social states
  - b. A function performed by factors of production
  - c. Tells the equilibrium of the economy
  - d. None of these
3. Suppose total endowments of two goods are 10 and 50. If one person is consuming 10 units of the first good, the 2<sup>nd</sup> person must be consuming:
  - a. 40units of 1<sup>st</sup> good
  - b. 50 units of 2<sup>nd</sup> good
  - c. Zero units of the 1<sup>st</sup> good
  - d. His initial endowment
4. Which one of the statement about 'Pareto optimality' is incorrect?
  - a. Consumers maximize their satisfaction
  - b. There is perfect competition in the factor and commodity market
  - c. Consumers have cardinal utility function
  - d. All the factors are used in the production of all the commodities
5. Which of the following is not a problem of the insurance market?
  - a. Adverse selection
  - b. Moral hazard
  - c. Asymmetric information
  - d. Principal-agent problem
6. Which method can help in obtaining welfare improvement, if externality exists?
  - a. Regulation
  - b. Assigning property right and permitting bargaining
  - c. Pigouvian tax
  - d. All of the above
7. Who among the following was awarded Nobel prize in Economics for analysis of markets with asymmetric information?
  - a. Robert A Mundell
  - b. Richard Thaler
  - c. George Akerlof
  - d. Paul Krugman

8. The inconsistency of which of the following criteria is labeled as 'Scitovsky Paradox'?
- a. Little criterion
  - b. Pareto criterion
  - c. Bergson criterion
  - d. Kaldor-Hicks criterion
9. General equilibrium analysis determines
- a. Prices and quantities in all markets simultaneously
  - b. Along with option 'a' it explicitly takes feedback effects into account
  - c. Feedback effects
  - d. Prices in all markets
10. The problem of adverse selection arises due to
- a. Full information
  - b. Wrong information
  - c. Asymmetric information
  - d. No information

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**(Descriptive)**

Time : 1 Hr. 15 Mins.

Marks : 25

[ Answer question no.1 & any two (2) from the rest ]

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| 1. Define Pareto optimality. Explain the 3 conditions of Pareto optimality.  | 2+3=5    |
| 2. Explain different types of social welfare function.   | 10       |
| 3. Explain the Kaldor, Hicks compensation criteria and Scitovsky's double criterion with suitable diagram.                                     | 5+5=10   |
| 4. Explain the Pigouvian welfare economics. Compare and contrast between Marshallian and Walrasian Equilibrium.                                | 5+5=10   |
| 5. Explain Edgeworth box and general equilibrium of exchange. Also explain the Little criteria. Mention some critique of New Welfare Economics | 4+3+3=10 |

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