

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

- Arrow's impossibility theorem states that social welfare is:
 - Summation of individual welfare
 - Social welfare is impossible with equal no. of individuals and equal no. of choices
 - Social welfare is possible with unequal no. of individuals and unequal no. of choices
 - All of these
- Social welfare function:
 - Ranks various social states
 - A function performed by factors of production
 - Tells the equilibrium of the economy
 - None of these
- Suppose total endowments of two goods are 10 and 50. If one person is consuming 10 units of the first good, the 2nd person must be consuming:
 - 40 units of 1st good
 - 50 units of 2nd good
 - Zero units of the 1st good
 - His initial endowment
- Which one of the statement about 'Pareto optimality' is incorrect?
 - Consumers maximize their satisfaction
 - There is perfect competition in the factor and commodity market
 - Consumers have cardinal utility function
 - All the factors are used in the production of all the commodities
- Which of the following is not a problem of the insurance market?
 - Adverse selection
 - Moral hazard
 - Asymmetric information
 - Principal-agent problem
- The problems of general equilibrium analysis are:
 - Existence
 - Uniqueness
 - Stability
 - 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]

1. Define General Equilibrium. Explain three types of equilibrium with example. 2+3=5
2. Define Pareto optimality. Explain the 3 principles of Pareto optimality. 2+8=10
3. Explain the Kaldor- Hicks compensation criteria with suitable diagram. Also explain Scitovsky's double criterion. 5+5=10
4. Explain the stability conditions of Marshallian and Walrasian equilibrium with diagrammes. Mention some criticisms of New Welfare Economics. 7+3=10
5. Explain the three conditions of general equilibrium. Also explain the stability conditions with the excess demand function. What is the difference between partial and general equilibrium? 5+3+2=10

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