

BACHELOR OF ARTS EXAMINATION, 2018(OLD)
(2nd Year, 3rd Semester)
ECONOMICS

General Equilibrium and Welfare Economics

Time :Two hours.

Full Marks :30

The figures in the margin indicate full marks.

Answer any **two** questions.

15 x 2 = 30

1. (a) What is meant by Pareto Optimality?
(b) Derive and explain the conditions for Pareto optimality in a perfectly competitive free market economy.
(c) If there exists production externality between sectors, would Pareto optimality condition be violated? Argue your case. (5+5+5).
 - 2.(a) State and prove the Stolper Samuelson Theorem.
(b) Why is there a magnification effect? (10+5)
 - 3.(a) Indicate the problems of arriving at Social Welfare Function from individual utility functions .
(b) What are the purposes of using compensation criteria in welfare economics? (10+5)
 4. State and prove the Second Fundamental Theorem of Welfare Economics.(15)
 5. Write short notes on **any two** of the following : (7.5 +7.5)
 - (a) Social Indifference Curve;
 - (b) Stability of Walrasian Equilibrium ;
 - (c) Utility Possibility Frontier;
 - (d) Public Goods .
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