

BACHELOR OF ARTS EXAMINATION, 2019

(2nd Year, 2nd Semester)

ECONOMICS (HONOURS)

GENERAL EQUILIBRIUM THEORY

Skill Enhancement Course 2 (SE 2)

Time : Two hours

Full Marks : 30

Answer any three of the followings.

1. a) (i) Robinson Crusoe is endowed with 24 hours of time. He can either spend this time gathering coconuts (C), catching fishes (F) or enjoying leisure time (L). He can catch 1 fish per hour and he can gather 2 coconuts per hour. What is Robinson's production possibility frontier?

(ii) Robinson's utility function is given by $U(L, F, C) = L(1 + FC)$. How will he allocate his time between labour and leisure? What is his optimal choice of fish consumption and coconut consumption?

b) Define Scitovsky Social Indifference curve (SSIC). How do we construct SSIC? Illustrate with figure. 5+5

2. a) State and prove Stolper Samuelson theorem when there are two factors and production function is subject to fixed coefficient production technology.

b) Show that neither majority voting rule nor rank order voting rule can satisfy five most reasonable requirements of one social preference relation laid down by Arrow. 4+6

3. a) In a two person two good pure exchange economy give an example

i) where General/ Walrasian equilibrium does not exist

and

ii) where the General/ Walrasian equilibrium is not Pareto optimal.

b) Discuss how without any government intervention, private deals among different parties concerned can lead to socially optimal output even in the presence of externalities. 2+3+5

[Turn over

4. Write short note on any two of the followings: 5+5
 - a) Second fundamental theorem of Welfare Economics
 - b) Hicks-Kaldor Compensation Principle
 - c) Offer curves and stability of competitive allocation