



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Write short answers to the following questions. (6x5=30)

- i. What is wrong with partial equilibrium analysis?
- ii. How does the utility possibilities frontier relate to the contract curve?
- iii. What are the differences between positive and normative statements?
- iv. Explain the Bentham's and Bergson criterion of social welfare
- v. Differentiate between production efficiency and product mix efficiency?
- vi. Differentiate between Marginal Rate of Technical Substitution (MRTS) and Marginal Rate of Substitution (MRS).

Write detailed answers to the following questions.

Q2. a) Market economies are inherently inequitable, and there is little a government can do to change this. True or False? Explain

b) "Because all points on a contract curve are efficient, they are all equally desirable from a social point of view." Do you agree with this statement? Explain. (5+5)

Q3. a) Explain the Theory of the Second Best.

b) Explain why goods will not be distributed efficiently among consumers if the Marginal Rate of Transformation (MRT) is not equal to the consumers' Marginal Rate of Substitution (MRS). (5+5)

Q4. a) What factors determine whether a particular economic issue can be adequately analyzed by using a partial rather than a general equilibrium approach?

b) Suppose the only two meat dishes consumed in the United States are fish and beef. What are the likely effects in these markets of a rumor of a major water pollution problem discovered in the commercial fishing waters? Assume that production resources cannot be shifted between sectors. (5+5)