

Matr.-Nr. _____

Name: _____

Examination

**20128: Applied General Equilibrium
Theory**

Semester:

Winter Semester 2009/2010

Examiners:

Prof. Dr. Gerhard Schwödiauer

The following aids may be used:

None

Time:

60 minutes

The examination encompasses three problems all of which have to be tackled.

1. Define the concepts of “allocation” and “Pareto efficiency” for an economy with production, and illustrate these concepts geometrically for a pure exchange economy!
2. Assume that for a private-ownership economy with perfect competition (define this concept precisely!) disequilibrium prices are adjusted according to the tâtonnement principle. Prove that (and explain why) it is impossible that all prices fall or all prices rise!
3. Consider a pure exchange economy. Assume that the consumers' preferences are strongly monotone and representable by strictly quasi-concave utility functions which are continuously differentiable. Discuss the necessity and sufficiency of these assumptions for the validity of the proposition called the “second fundamental welfare theorem”! (A geometric illustration is welcome.)

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