



B.E. International Program

Faculty of Economics, Thammasat University



EE441, SEMESTER 1/2015

PROBLEM SET 1

Instructions

- 1) To complete the assignment, you are allowed to discuss the problems with your classmates but have to write up solutions completely on your own.
- 2) The date of submission is on Thursday 10th September 2015 (in class, before lecture begins)
- 3) If you have questions, please send me an e-mail at pwrasai@gmail.com

Student ID _____

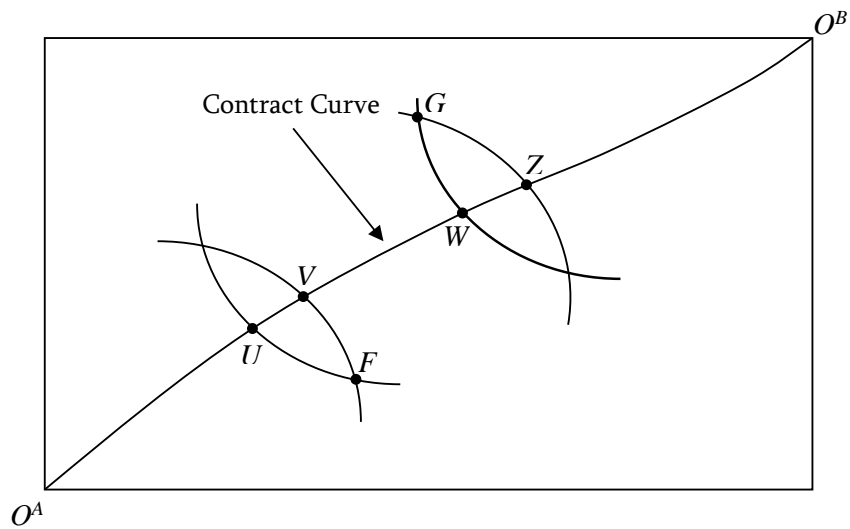
1) Why should the government intervene in the economy? Provide justification and explain *succinctly*.

2) Explain why market fails to create an efficient allocation of public goods

3) Distinguish among the terms “*Pareto Optimality*” and “*Pareto Improvement*.”

4) In 2 persons-2 goods exchange economy, what is “the Core”?

5.



5a) Both W and Z are Pareto superior to the original allocation G . True or False. Provide reason to warrant your answer.

5b) Both W and Z are Pareto optimal. True or False. Provide reason to warrant your answer.

5c) "Given an initial allocation for Mr. A and Mr. B off the contract curve, if the two trade, they could end up anywhere on the contract curve." True or False. Provide reason to warrant your answer.

I think, therefore I am (Cogito, ergo sum.) - Descartes