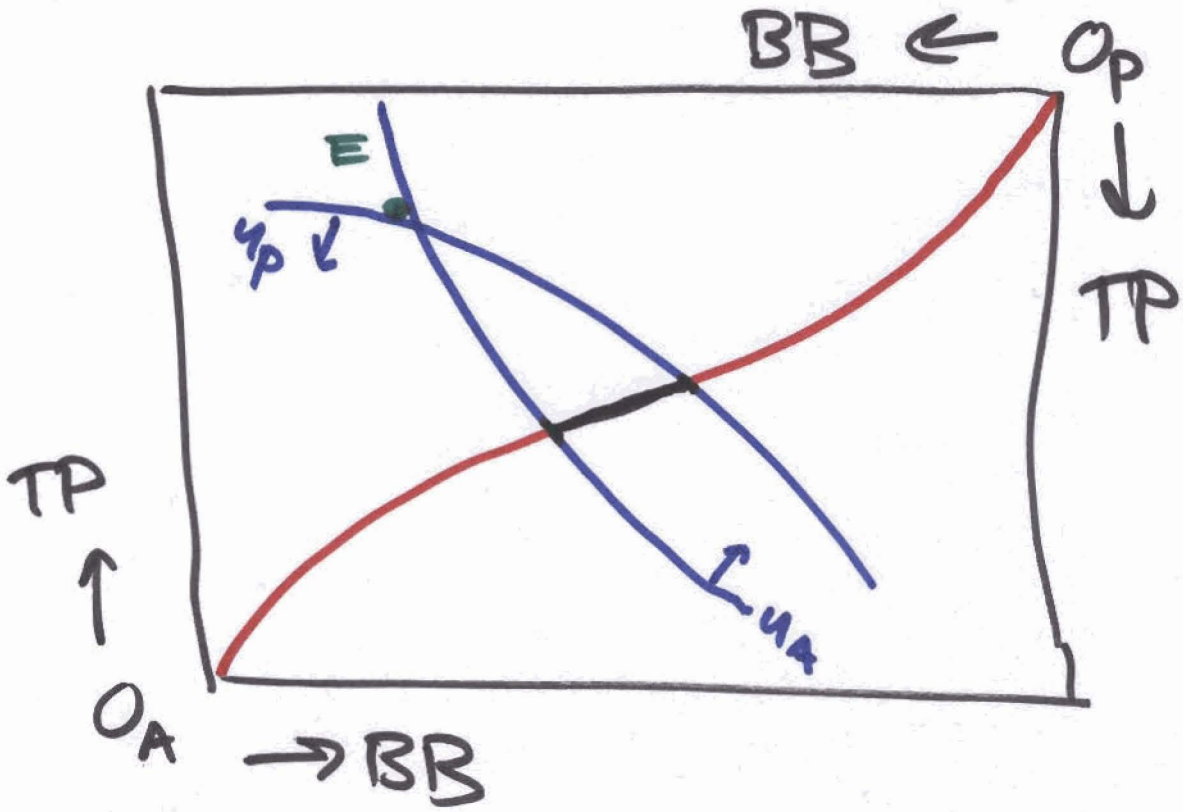
PS #6 Answers

ignore problem #6

(3)

False, given an initial endowment they will only end up in the CORE

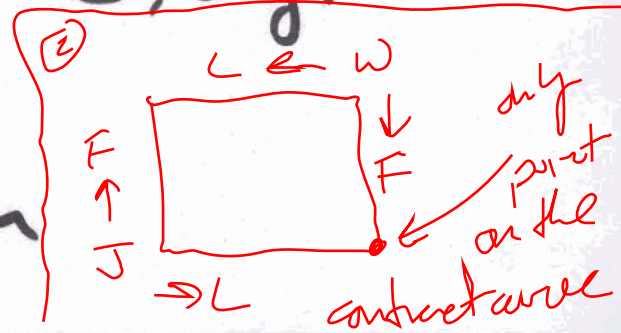


(4)

False, someone may disagree for moral reasons, e.g.

(1) drugs

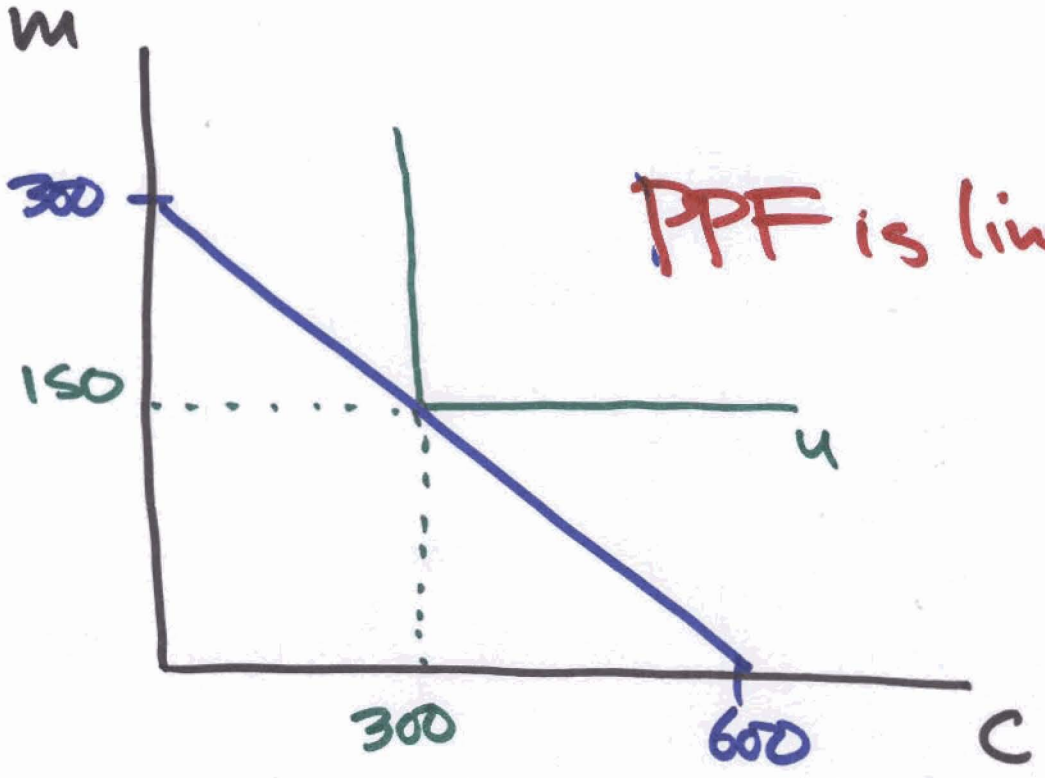
(2) prostitution



(5)

$$C + 2m = 600$$

$$m = -\frac{1}{2}C + 300$$



(b) $2m = C$ $(c=2, m=1)$

$$2m + 2m = 600$$

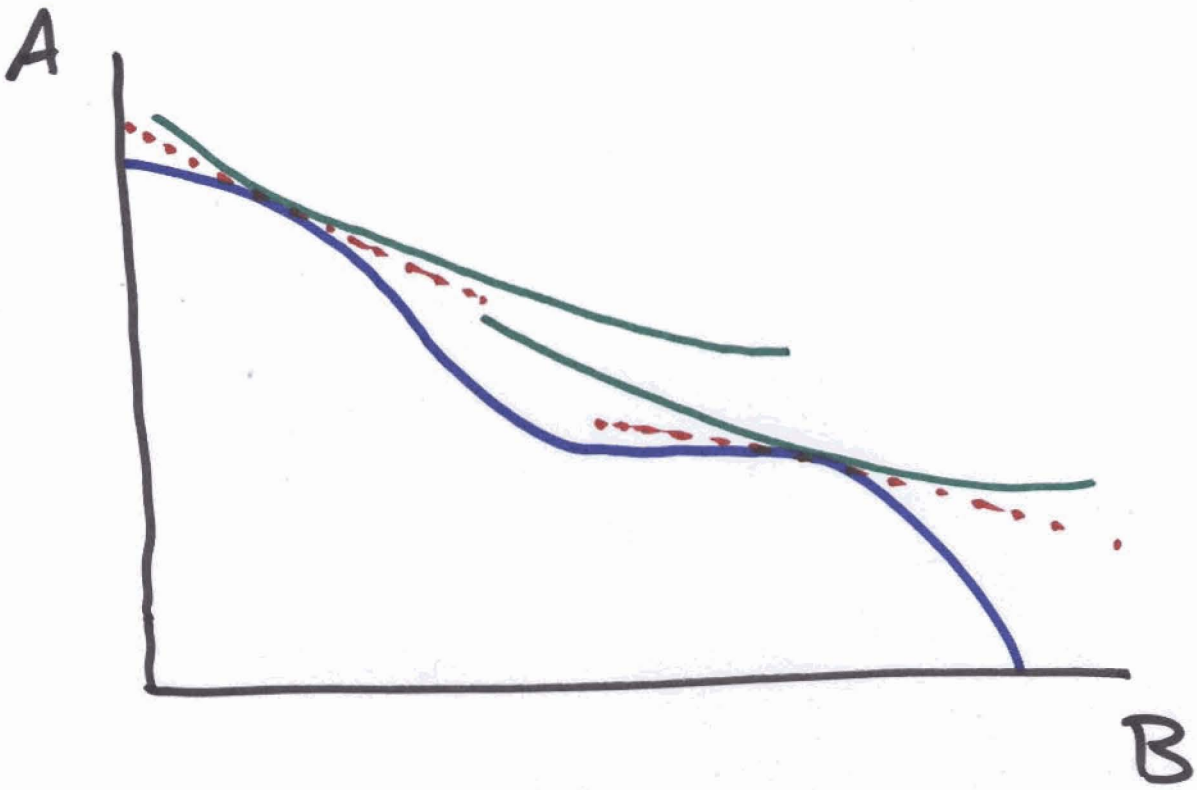
$$m = 150$$

$$C = 300$$

(c) $\frac{P_C}{P_m} = MRPT = MRS = \frac{1}{2}$

(7)

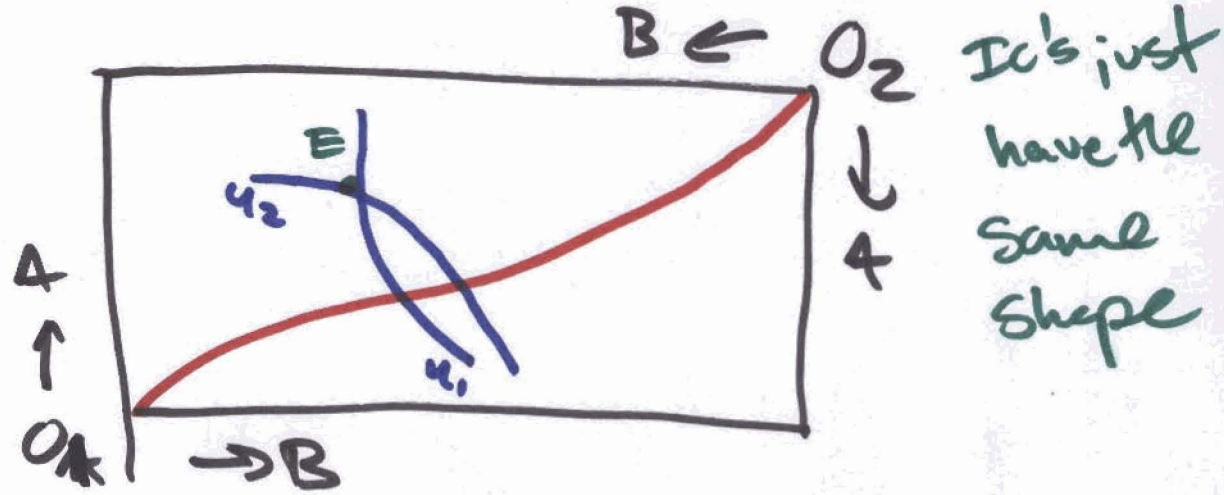
(a)



non-convex PPF, two different price ratios

~~(b)~~

(b) they will always trade unless they are at a pareto optimal point in production



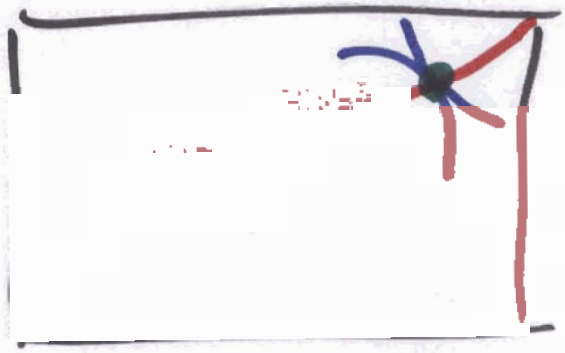
IC's just have the same shape

(1) this is distinct from fairness

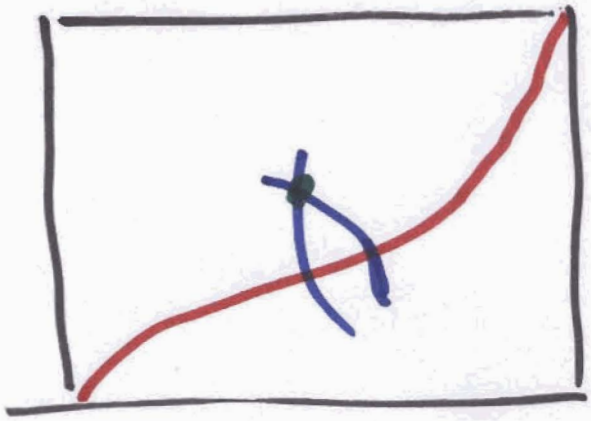
(2) there is little to no relationship between the two

an allocation can be

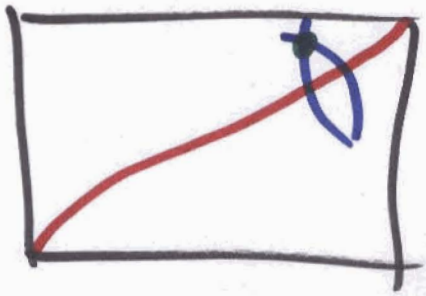
(1) efficient & inequitable



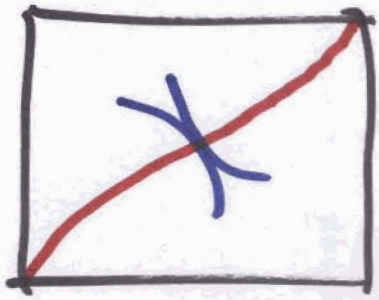
(2) inefficient & equitable



(3) inefficient & inequitable



(4) efficient & equitable



highest value use - the resource goes to the agent who holds the highest value for the resource