

c In an economy of two individuals (A and B) and two commodities (X and Y), general equilibrium of exchange is reached when (a)  $MRT_{xy} = MRS_{xy}$  for A and B, (b)  $MRS_{xy} = P_x/P_y$ , (c)  $(MRS_{xy})_A = (MRS_{xy})_B$ , or (d) all of the above.

b The locus of general equilibrium points of exchange in a two-individual, two-commodity economy is called (a) the consumption contract curve, (b) the production contract curve, (c) the social welfare function, or (d) the transformation curve.

d In an economy of two commodities (X and Y) and two factors (L and K), general equilibrium of production is reached when (a)  $MRTS_{LK} = P_L/P_K$ , (b)  $MRTS_{LK} = MRS_{xy}$ , (c)  $MRT_{xy} = MRS_{xy}$ , or (d)  $(MRTS_{LK})_x = (MRTS_{LK})_y$ .

d The transformation curve is derived from (a) the consumption curve, (b) the utility-possibility curve, (c) the social welfare function, or (d) the production contract curve.

a The slope of the transformation curve is given by (a)  $MRT_{xy}$ , (b)  $MRS_{xy}$ , (c)  $MRTS_{LK}$ , or (d) all of the above.

d In an economy of two individuals (A and B) and two commodities (X and Y), general equilibrium of production and exchange occurs when (a)  $MRT_{xy} = P_x/P_y$ , (b)  $MRS_{xy}$  for A and B =  $P_x/P_y$ , (c)  $(MRS_{xy})_A = (MRS_{xy})_B$ , or (d)  $MRT_{xy} = (MRS_{xy})_A = (MRS_{xy})_B$ .

c If the elasticity of substitution for inputs in production is 2, as the price of labor increases, labor's factor share will

- (a) increase
- (b) decrease

- (c) remain the same
- (d) not be affected in any predictable way because elasticity must always be less than one

d The distribution of two commodities between two individuals is said to be Pareto optimal if

- (a) one individual cannot be made better off without making the other worse off,
- (b) the individuals are on their consumption contract curve,
- (c) the individuals are on their utility-possibility curve, or
- (d) all of the above.

The locus of Pareto optimality in production and consumption is given by (a) the social welfare function, (b) the utility-possibility curve, (c) the transformation curve, or (d) the grand utility-possibility curve.

In a two-commodity (X and Y) and two-individual (A and B) economy, the maximum social welfare is reached at (a) any point on the grand utility-possibility curve, (b) any point on the social welfare function, (c) the point where the  $MRT_{xy} = MRS_{xy}$  for A and B, or (d) the point of tangency of the grand utility-possibility curve with a social welfare function.