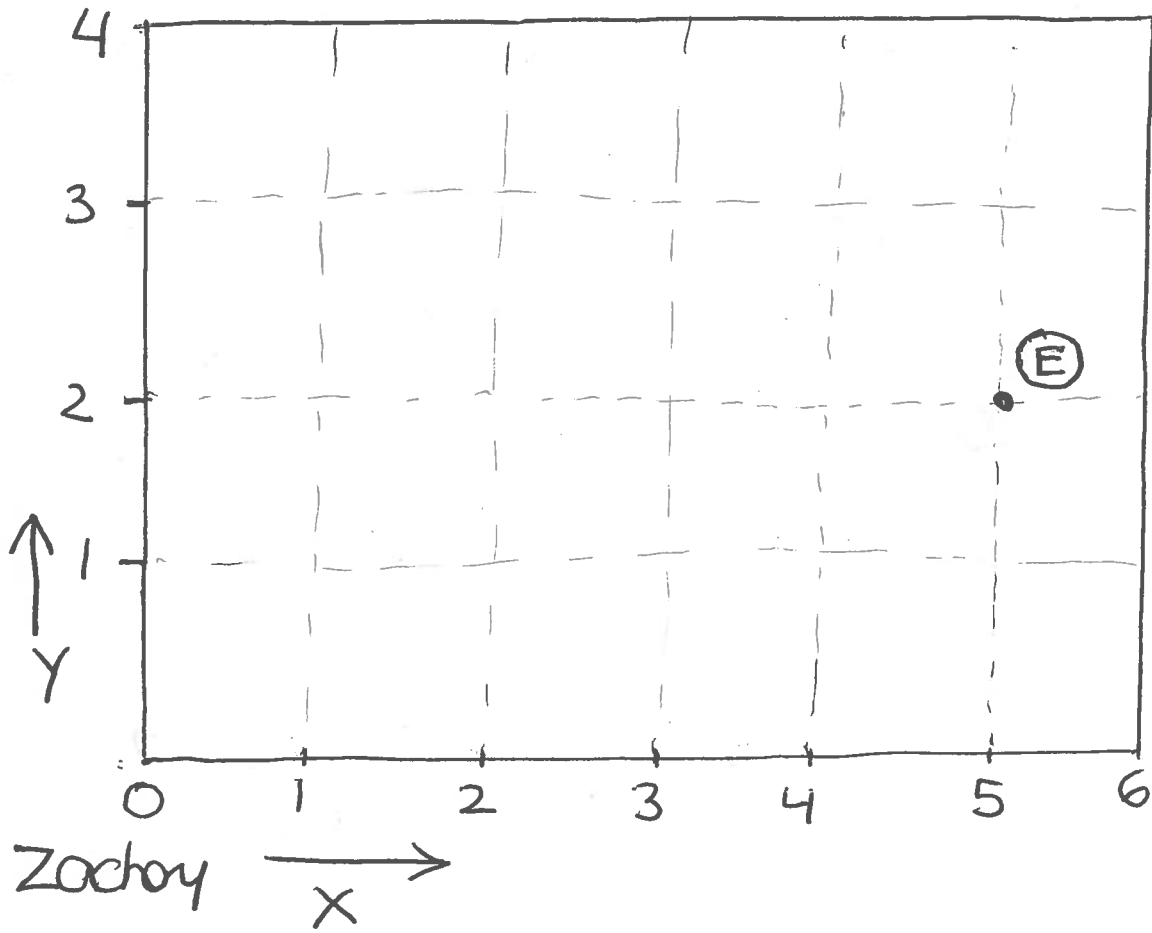


Chapter 10 - practice problems

Assume an endowment economy with two individuals (Zachary and Luc) that is characterized by the following Edgeworth box and where (E) represents the endowment point (see next page)

- What is the total endowment in the economy?
- What is Luc's endowment?
- Is the endowment point efficient?
- What does the second fundamental theorem of welfare economics tell us about the economy?

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Answers

a) $6x, 4y$

b) $1x, 2y$

c) We do not have enough information to answer that question. We would need the preferences (indifference curves) for each individual

d) That the government can achieve any efficient point by first reallocating resources and then letting the market work.