

Name:

## QUIZ 5: Econ 102, Section 2

José-Víctor Ríos-Rull November 21, 2005

Please answer the following 13 questions for 50 points. Be as BRIEF as you can. You have 40 minutes.

1. (3 points) The prediction of a model is its Pareto Optimal Allocation. True, False, Discuss.
2. (3 points) Current consumption is increasing in second period income. True, False, Discuss. What about current savings?
3. (3 points) In the context of the one agent, one period model with leisure, what does the first welfare theorem tell us about what should policy do?
4. (4 points) In a two period model without leisure draw a graph with a situation where the household is a borrower. Then change its endowment in the second period so that it becomes a lender.



