1. **A situation is Pareto-efficient if there is no way how to make everyone worse off without making anyone better off.**

   (A) True

   (B) False

2. **Net demand is**

   (A) the difference between gross demand and initial endowment.

   (B) gross demand net of depreciation (amortization).

   (C) quantity that is demanded by the consumer at a given price.

   (D) gross demand if the allocation is Pareto efficient.

3. **The aggregate excess demand in an equilibrium always equals 0.**

   (A) True

   (B) False

4. **A Pareto-efficient allocation does not have to be on the contract curve in the Edgeworth box diagram.**

   (A) True

   (B) False

5. **It follows from the Walras law that there are _____ independent equations in the model of general equilibrium with k goods.**

   (A) 0

   (B) k

   (C) $k - 1$

   (D) $k + 1$

6. **Let's assume a general equilibrium of an economy with two goods X and Y and two consumers. If the equilibrium prices are $P_x = 2$ and $P_y = 1$, then $P_x = 1$ and $P_y = 0.5$ are also equilibrium prices.**

   (A) True

   (B) False

7. According to the first welfare theorem

A) a competitive equilibrium always exists.

B) every competitive equilibrium is Pareto-efficient.

C) every competitive equilibrium is fair.

D) all consumers must have the same wealth in Pareto optimum.

8. The second welfare theorem states that if the preferences of consumers are convex then any Pareto-efficient allocation can be reached by a competitive market from a specific initial allocation.

A) True

B) False

9. Adam and Eva consume only bread and wine. They do not produce anything and trade only with each other. They both have strictly convex preferences. Let's suppose that Adam's and Eva's initial endowments are identical, then the ratio between price of bread and wine must be 1.

A) True

B) False