



UNIVERSITY OF EMBU

2021/2022 ACADEMIC YEAR

SECOND SEMESTER EXAMINATIONS

THIRD YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF ECONOMICS AND STATISTICS

BAE 306: WELFARE ECONOMICS

DATE: 1 APRIL, 2022

TIME: 11.00 -1.00 PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

- a) Differentiate between the following terms/concepts:
- i. Market Failure and Government failure (4 marks)
 - ii. Pareto Efficiency and Pareto Improvement (4 marks)
 - iii. Compensating Variation and Equivalent Variation (4 marks)
- b) The role of Government intervention in provision of Public goods is to allocate, distribute, stabilize and regulate in order to guarantee Welfare for her citizenry. In your own view, has the Kenyan government been able achieve these objectives in its numerous interventions? Support your answer with valid points and relevant examples (8 marks)
- c) Discuss the concept of Measurement for Welfare Change in a single Consumer Economy (5 marks)
- d) Highlight at least five consequences of Externalities (5 marks)



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QUESTION TWO (20 MARKS)

- a) Discuss Social Welfare Ordering Distributive Justice. (10 marks)
- b) For the attainment of a Pareto-efficient situation in an economy several marginal conditions must be satisfied. Briefly explain at least four of these conditions (10 marks)

QUESTION THREE (20 MARKS)

Discuss the following concepts:

- a) Theory of Second Best. (10 marks)
- b) Pareto Criterion. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Briefly explain five sources of market failure. (10 marks)
- b) Discuss welfare economics under certainty and uncertainty (10 marks)

QUESTION FIVE (20 MARKS)

- a) Discuss Optimal/Efficient provision of public goods (10 marks)
- b) Describe Welfare Change Management in Many Households as used in welfare economics (10 marks)

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