Course

on

HS205: consumer Behaviour and Welfare Economics

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Instructor

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Welfare economics:

i. Pareto's welfare criteria
ii. Kaldor Hicks compensation criterion
iii. Scitovsky Paradox and Scitovsky's double criterion

Pareto optimality or efficiency:

Economic state or situation is said to be Pareto efficient in which allocation of resources is such that by any rearrangement of them it is impossible to make any individual better off without making any other worse off.

Economic efficiency:

i. **Exchange efficiency**: It means the distribution of a given output of goods between individuals in a society should be such that it should not be possible to make some one better off without making any one else worse off.

ii. **Production efficiency**: Production is Pareto efficient when it is not possible to reallocate resources to produce more of some goods without producing less of some other goods.

iii. **Allocative efficiency**: It means the allofcation of resources among the production of goods and services is in accordance with the preferences of the people