Economics II

# General equilibrium and microeconomic policy of the state

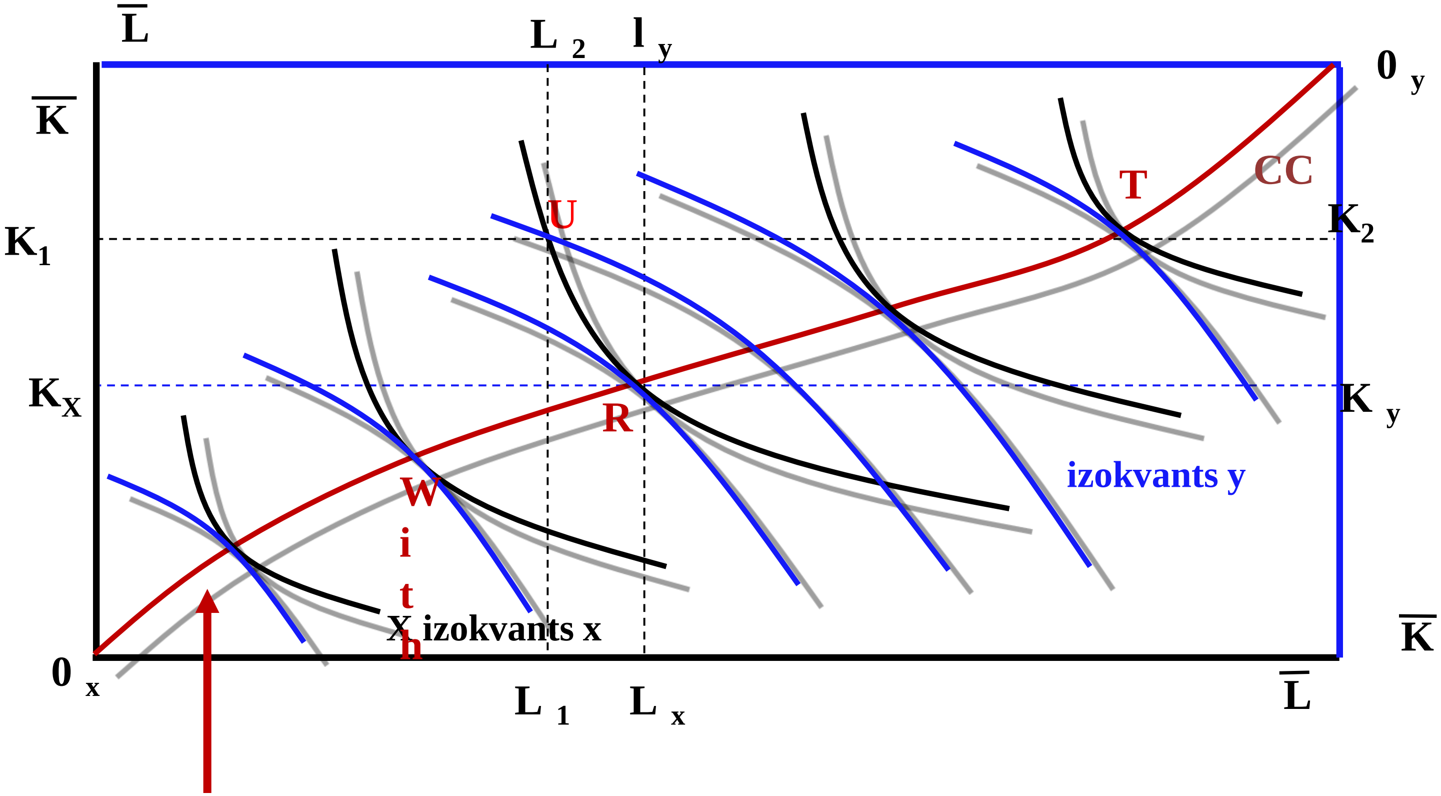
Part I.

evropský sociální fond v ČR
EVROPSKÁ UNIE
MINISTERSTVO ŠKOLSTVÍ, MLÁDEŽE A TĚLOVÝCHOVY
OP Vzdělávání pro konkurenceschopnost
UNIVERZITA OBRANY
INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

# Introduction

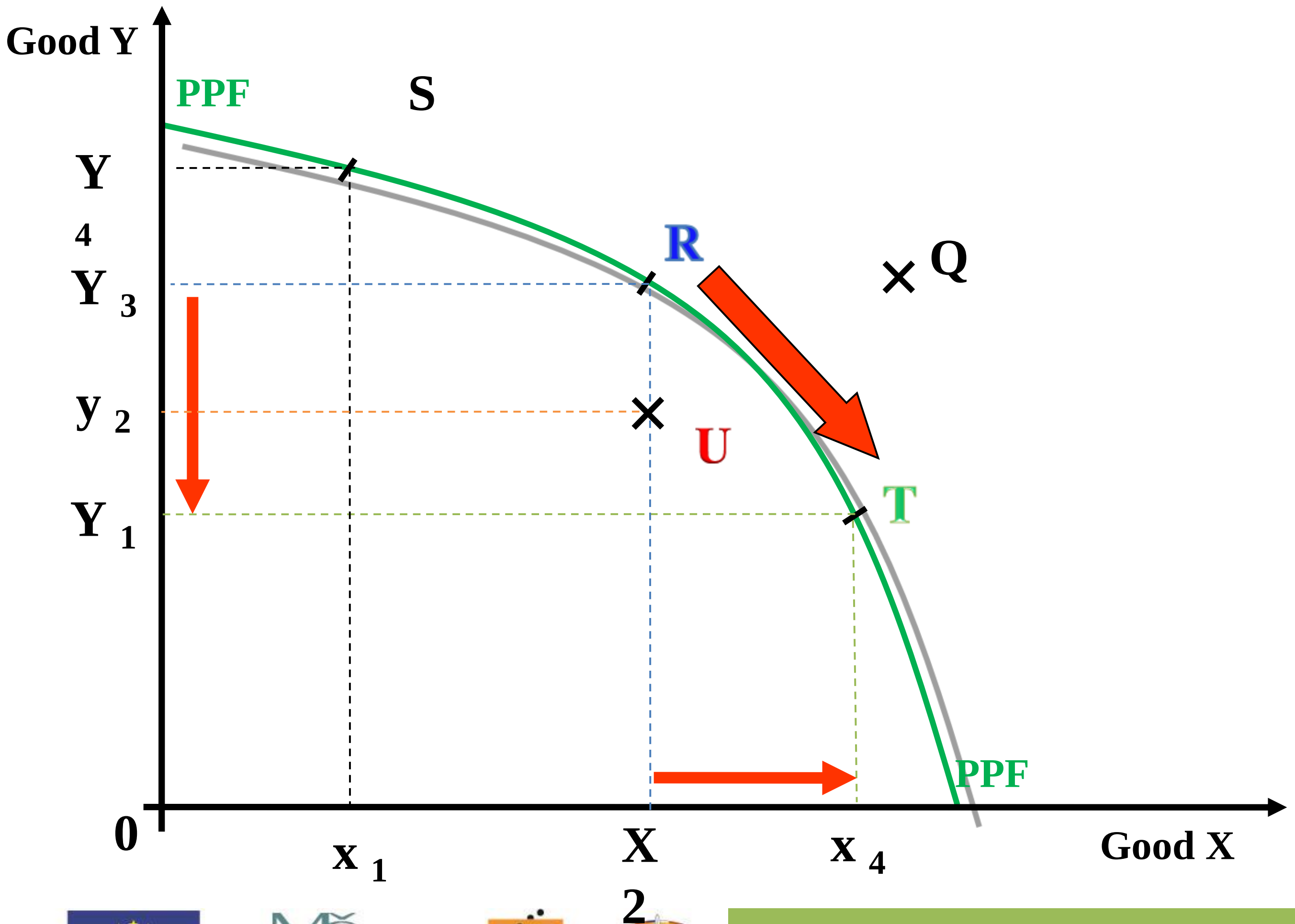
- General Equilibrium Model assumptions
- Efficiency in production
- Exchange efficiency
- Manufacturing- consumption efficiency
- General equilibrium achieving
- Efficiency and justice
- Conclusion

# Box scheme production

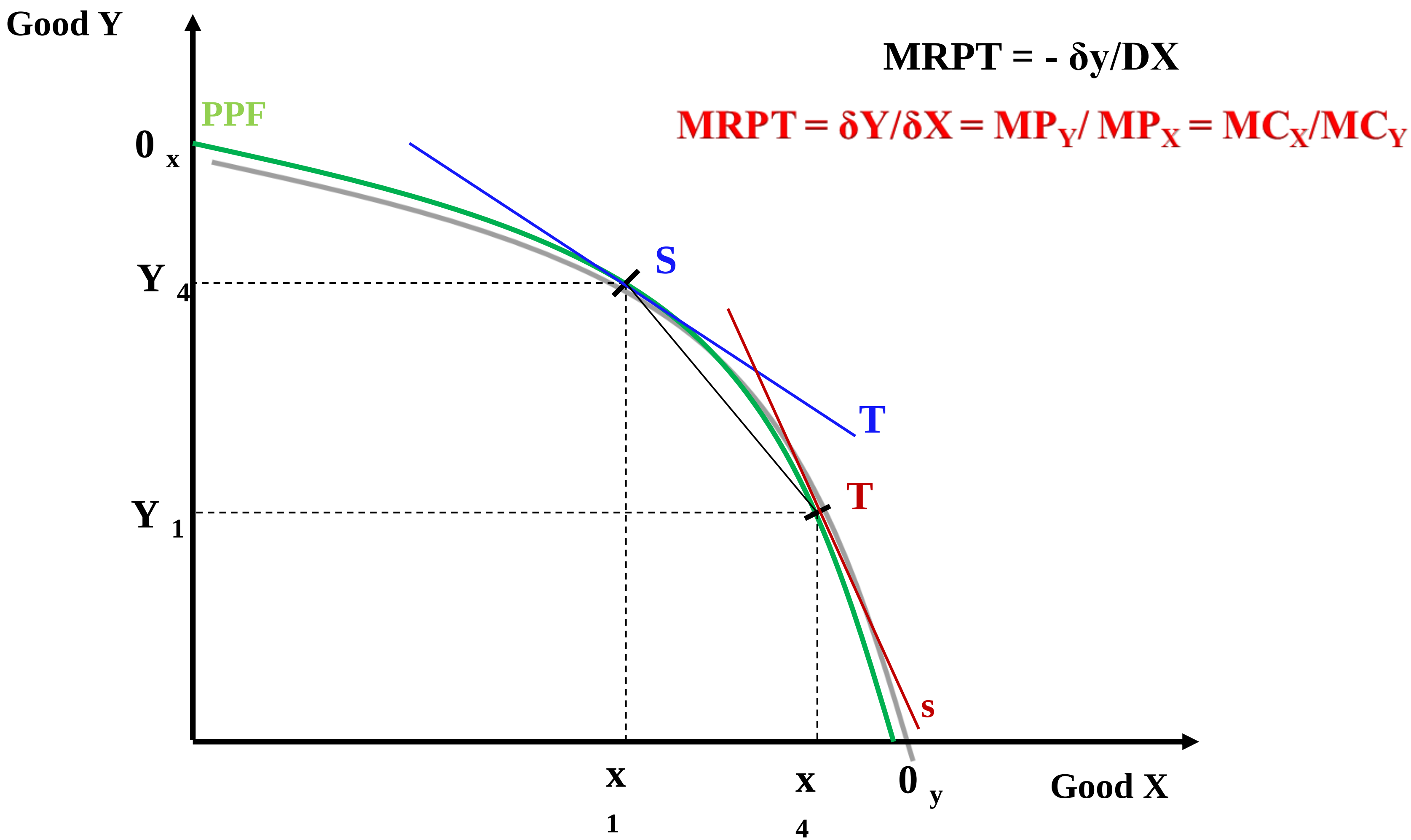



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

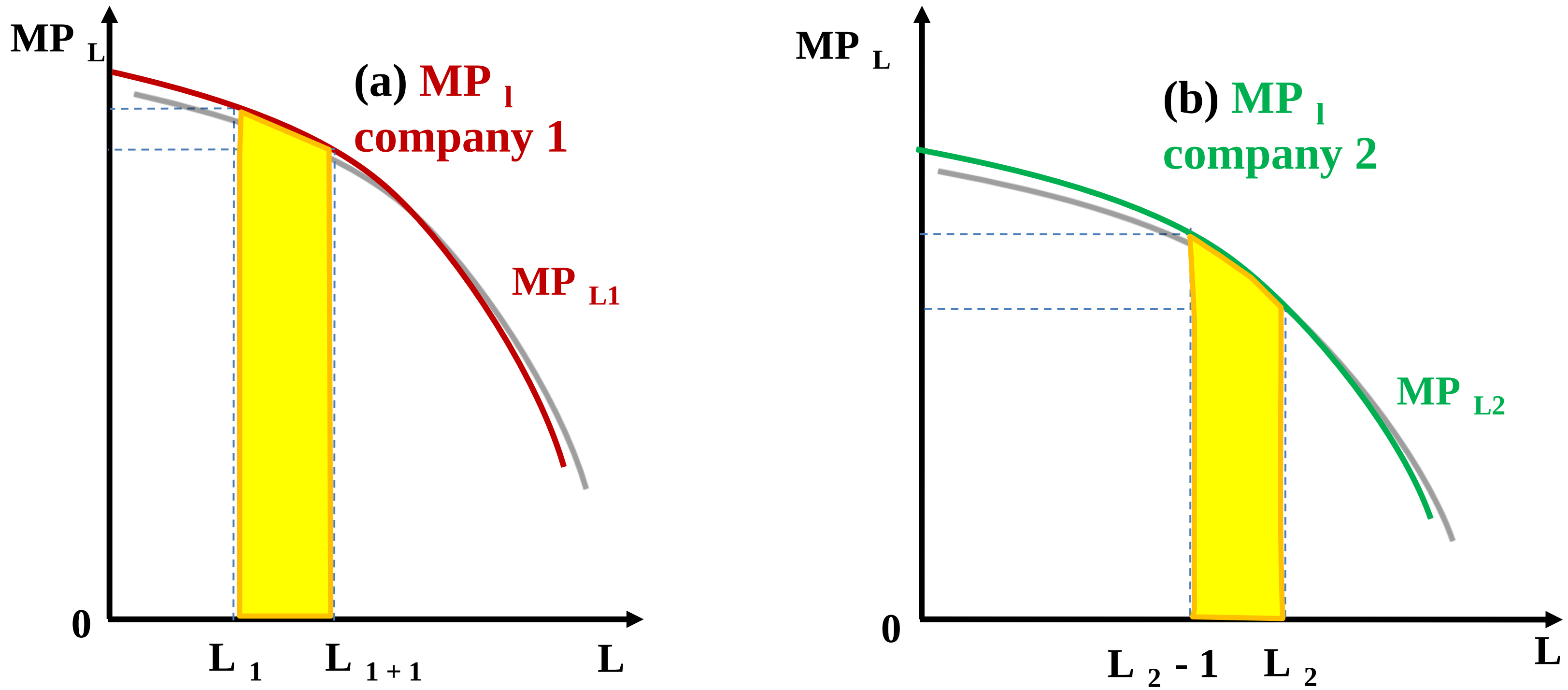
# Production-possibility frontier (PPF)



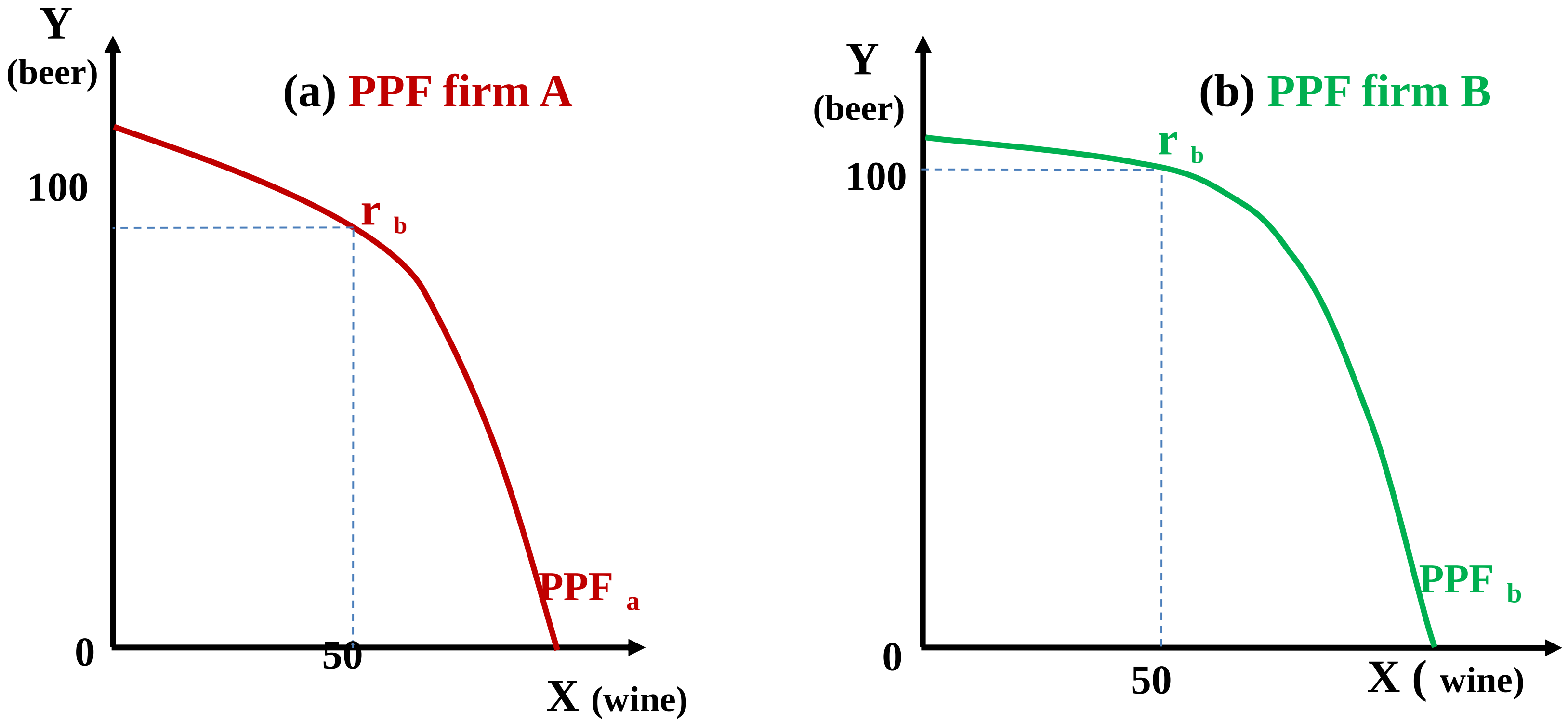
# Production-possibility frontier curve direction



# Efficiency in production



# Efficiency in production



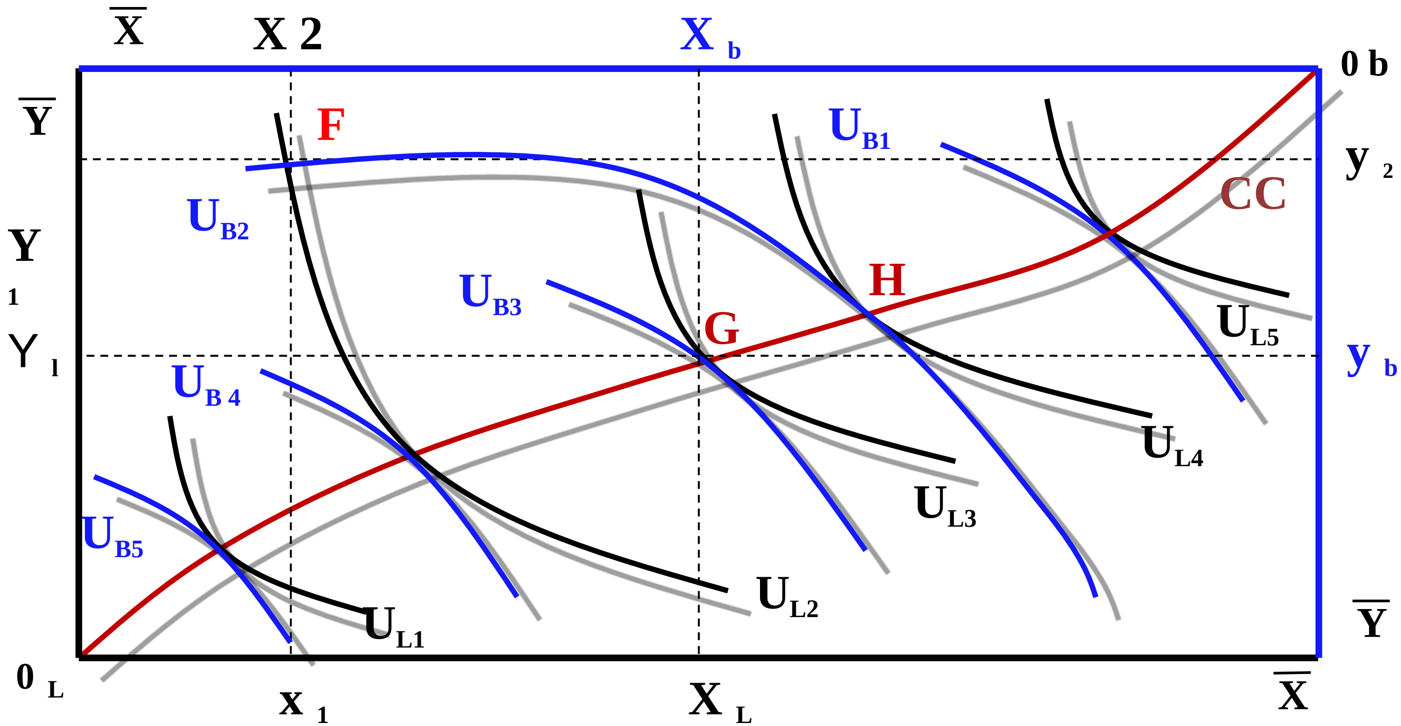
# Exchange efficiency

***Definition:***

***Effectiveness condition*** :

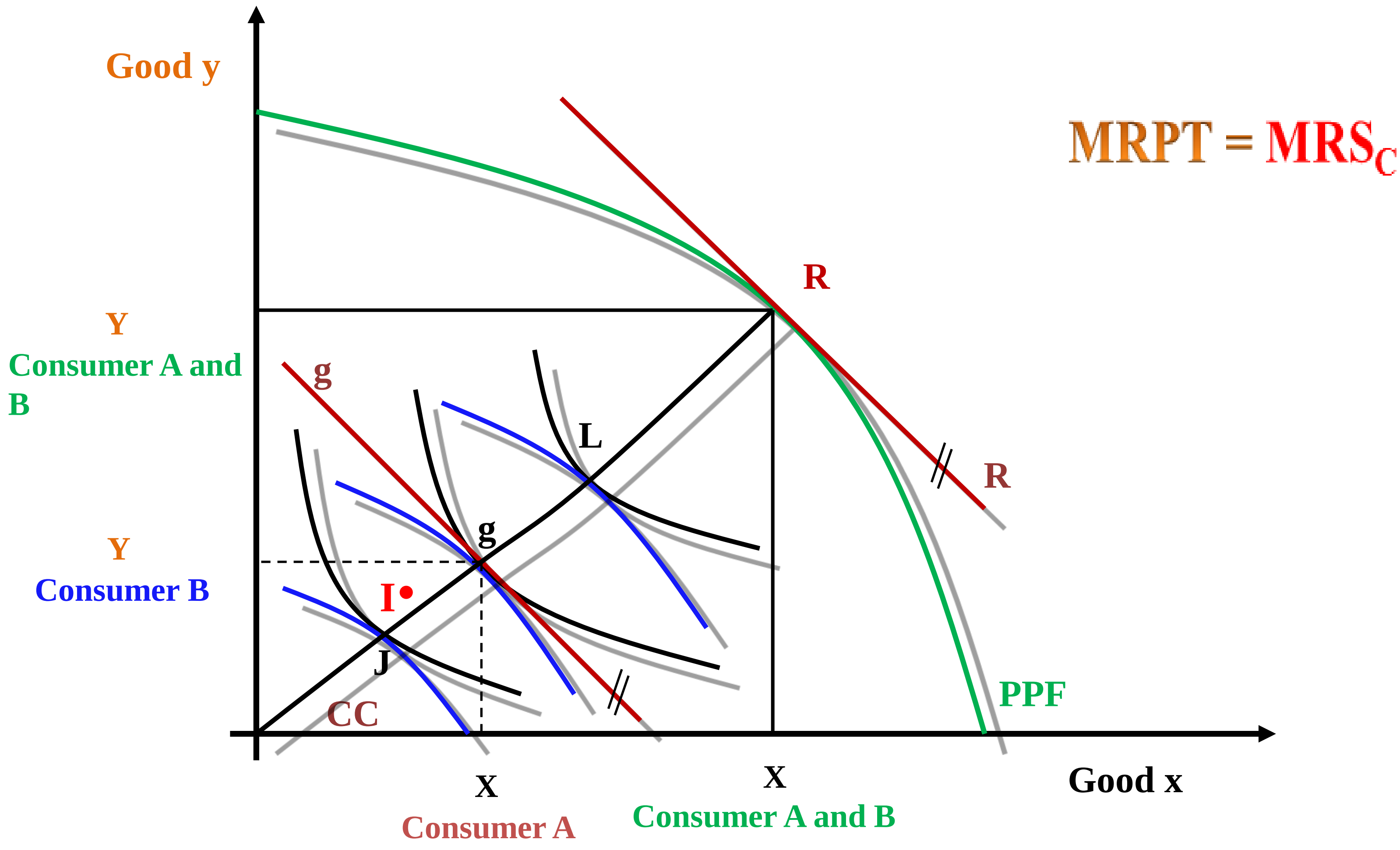
$$MRS_{C(L)} = MRS_{C(B)}$$

# Box scheme

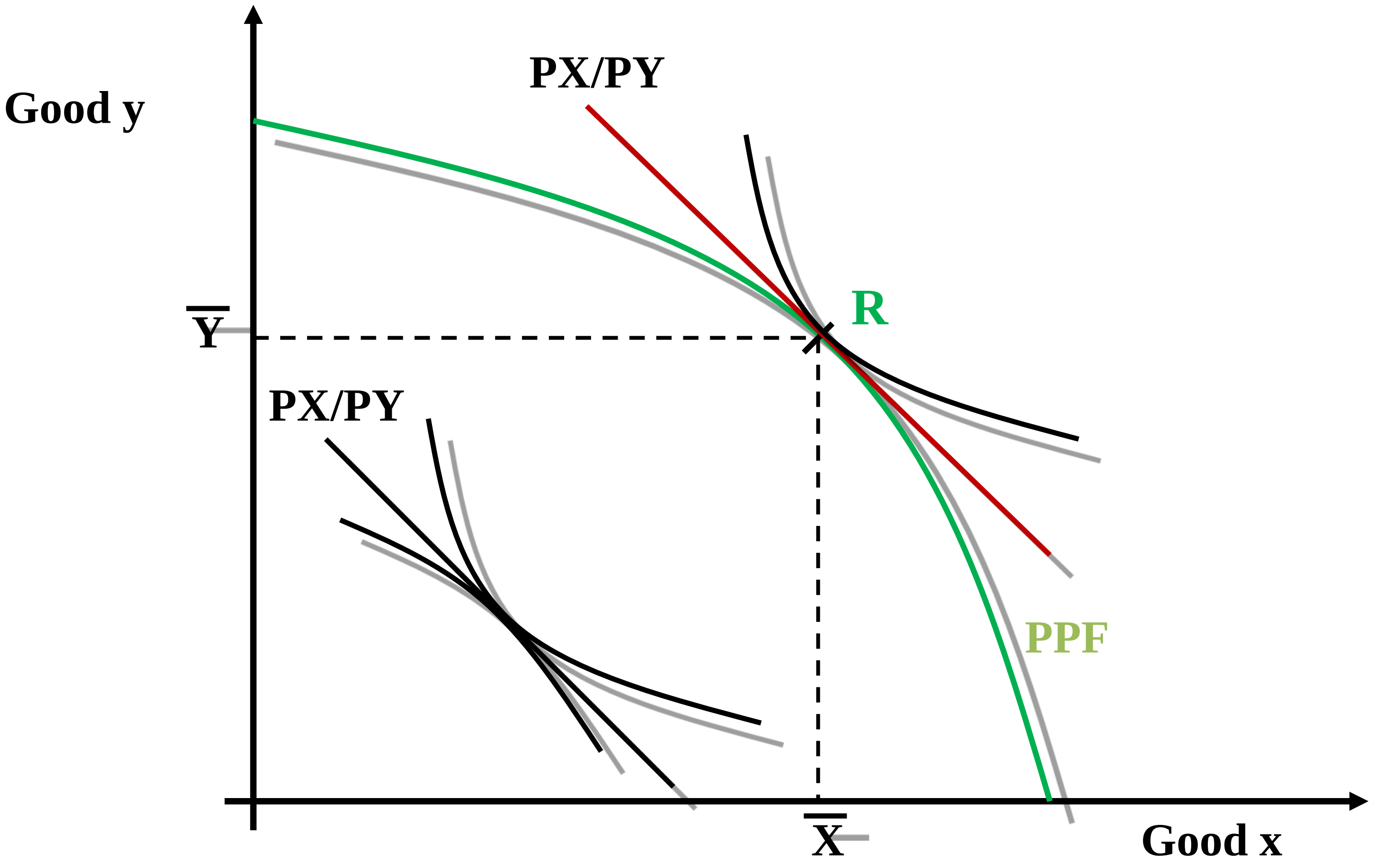


X̄
X 2
X b
0 b
Ȳ
F
U B1
y 2
U B2
CC
Y
1
U B3
H
G
U L5
Y l
U B 4
y b
U L4
U L3
U B5
U L2
Ȳ
U L1
0 L
x 1
X L
X̄

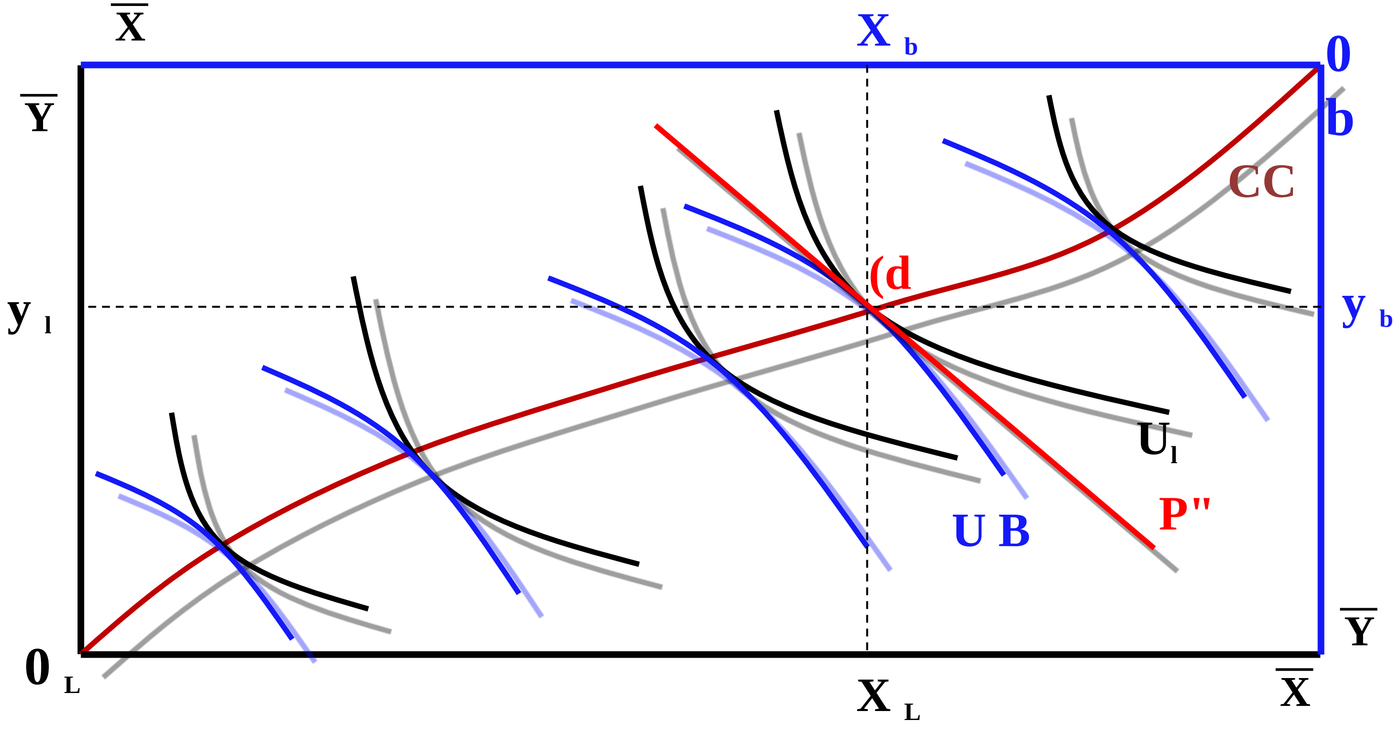
# Manufacturing-consumption Efficiency



# Relative price and production structure

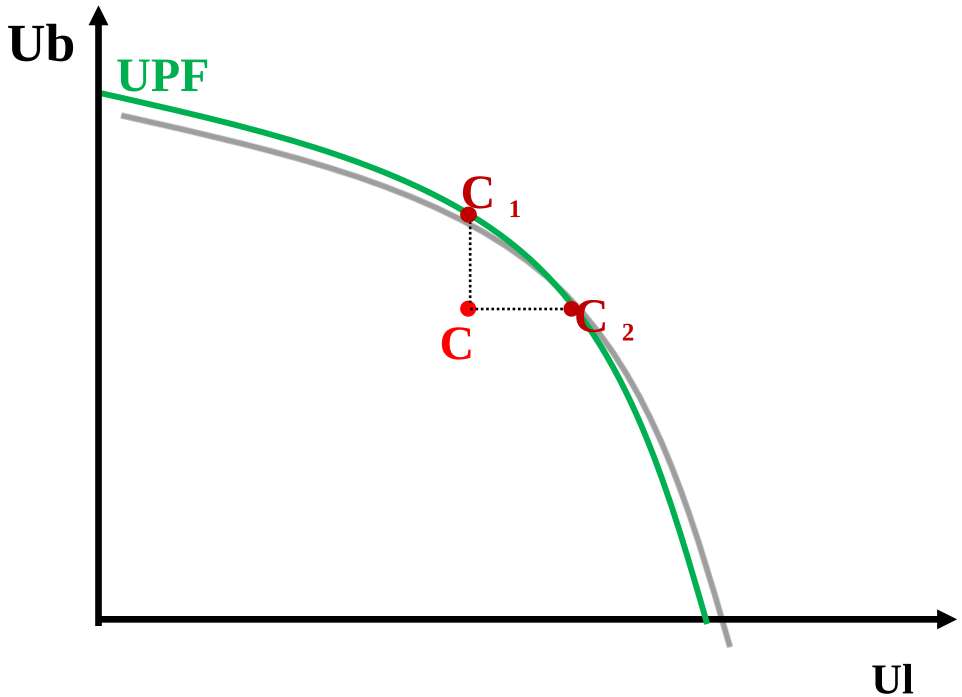


# The price system and the exchange effectiveness



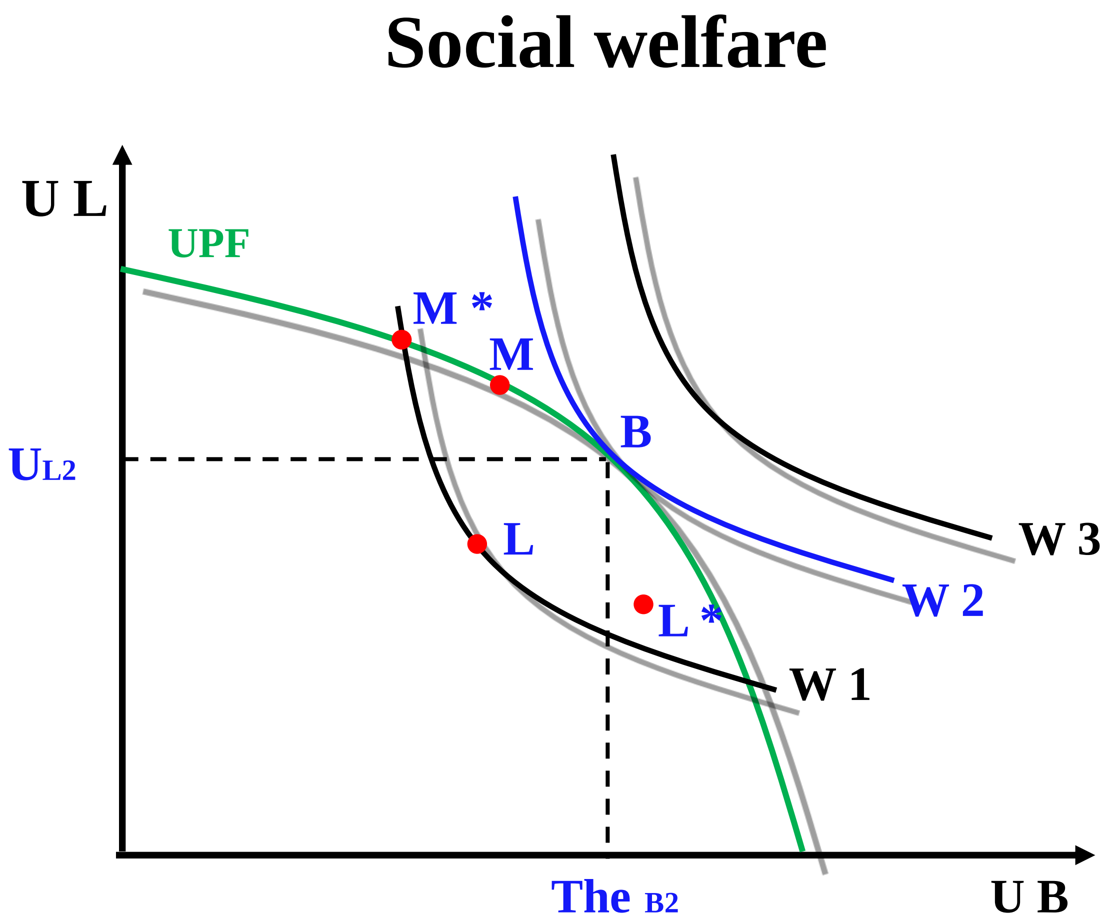
# Efficiency and justice

Social welfare criteria



# Efficiency and justice

The conflict between efficiency and justice



Thank you for your attention