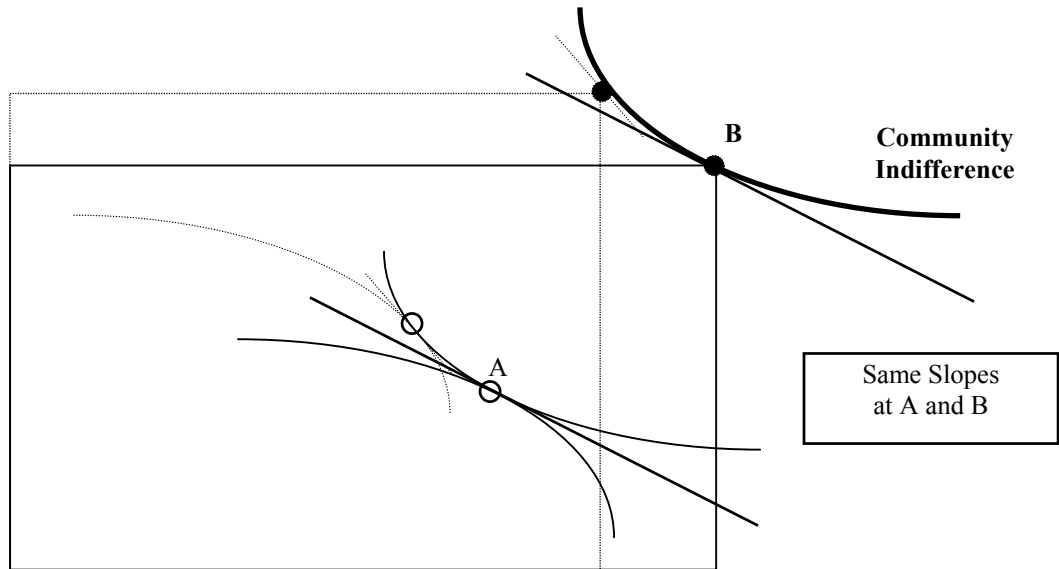


Community Indifference Curves

$U(X) = U(X')$ if there is a way of distributing X and X' such that all individuals are equally well off.

Construction of Community Indifference Curves with two individuals

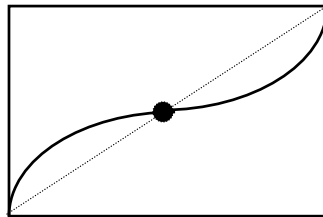


PROBLEM: The community indifference curves can cross.

ASSUMPTIONS necessary to assure that they do not cross:

1. Same Tastes and same incomes

The same tastes assure that the contract curve goes through the center of the box and same incomes assures that this is the point on the curve that is selected.



2. Identical homothetic tastes

Then the contract curve is a straight line.

3. Homothetic, but not necessarily identical tastes, identical incomes, and competition.

Trades have to be made from the center of the box, since with equal incomes this is a feasible solution. Homotheticity assures that there is a unique equilibrium. It implies that along the contract curve going from the lower left to the upper right, the indifference curves are getting flatter:

