

第一部份 (50%)

1. 選擇題(40%): 每題只有一個最適合的答案。每題2分，共20題。

1. The assumption that the velocity of money is constant implies that the demand for nominal money balance is
 - A. constant
 - B. dependent only on real income.
 - C. dependent only on nominal income.
 - D. dependent only on interest rate
 - E. dependent on both nominal income and interest rate
2. Keynes believed a person who would sell bonds to hold cash probably
 - A. regard the current interest rate as too high
 - B. regard present bond prices as below normal.
 - C. expect bond prices to rise.
 - D. expect the interest rate to rise
 - E. expect the interest rate to fall
3. In a model of income determination with an expenditure sector and a monetary sector, what would be the effect of an autonomous increase in the demand for cash balances?
 - A. investment spending would fall
 - B. interest rate would fall
 - C. price would rise.
 - D. income would rise
 - E. bond holdings would rise
4. Which of the following will tend to create a domestic recession but improve the trade balance?
 - A. a tighter domestic fiscal policy
 - B. a fall in the domestic price of imports
 - C. a looser domestic monetary policy
 - D. a foreign output boom
 - E. a domestic investment boom
5. If the interest rate is constant while real income grows 5% per year and the price level rises at 5% per year, the money stock must grow at what per year?
 - A. 6%
 - B. 7%
 - C. 8%.
 - D. 9%
 - E. 10%
6. If a central bank sells bonds to other banks, the result is
 - A. a decrease in short-term interest rates
 - B. a decrease in bank reserves.
 - C. an increase in national debt.
 - D. an increase in the amount of currency held by the public excluding banks.
 - E. an increase in required reserve ratio



7. Which of the following is generally true?
- A. The only bond whose return equals the initial yield to maturity is one whose time to maturity is the same as the holding period.
 - B. A rise in interest rates is associated with a fall in bond prices, resulting in capital gains on bonds whose terms to maturity are longer than the holding periods.
 - C. The longer a bond's maturity, the smaller is the size of the price change associated with an interest rate change.
 - D. All of the above are true.
 - E. Only A and B of the above are true.
8. A reduction in the riskiness of corporate bonds will _____ the price of corporate bonds and _____ the price of Treasury bonds.
- A. increase; increase
 - B. reduce; reduce
 - C. reduce; increase
 - D. increase; reduce
 - E. reduce; not affect
9. When bad drivers line up to purchase collision insurance, automobile insurers are subject to the
- A. moral hazard problem.
 - B. adverse selection problem.
 - C. assigned risk problem.
 - D. ill queue problem
 - E. none of the above.
10. If a bank manager wants to protect the bank against losses incurred on its portfolio of treasury securities should interest rates rise, he could
- A. buy put options on financial futures.
 - B. buy call options on financial futures.
 - C. sell put options on financial futures.
 - D. sell call options on financial futures.
 - E. none of the above.
11. A _____ in market interest rates relative to the discount rate will cause discount borrowing to _____
- A. fall; increase
 - B. rise; decrease
 - C. rise; remain unchanged
 - D. rise; increase
 - E. fall; decrease
12. Which of the following is true, based on the Monetary Approach to the Balance of Payments?
- A. If the demand for money increases, a surplus will result, and the money supply will decrease to maintain equilibrium.
 - B. If the demand for money increases, a surplus will result, and the money supply will have to increase to maintain equilibrium.
 - C. If the demand for money increases, a deficit will result, and the money supply will decrease to maintain equilibrium.
 - D. If the demand for money increases, a deficit will result, and the money supply will increase to maintain equilibrium.
 - E. Money market equilibrium does not have to be maintained if the balance of payments is not in equilibrium.

13. Because of the presence of asymmetric information problems in credit markets, an expansionary monetary policy causes a _____ in net worth, which _____ the adverse selection problem, thereby _____ increased lending to finance investment spending.
- A. decline; increases; encouraging
 - B. rise; increases; discouraging
 - C. rise; reduces; discouraging
 - D. decline; reduces; discouraging
 - E. rise; reduces; encouraging
14. Fiscal Expansion under a fixed exchange rate has what effect on the economy?
- A. The money supply decreases.
 - B. Output decreases.
 - C. The exchange rate increases.
 - D. The exchange rate decreases initially but then returns to its original point.
 - E. Output is unchanged.
15. The J-curve illustrates which of the following?
- A. The effects of depreciation on the home country's economy
 - B. The immediate increase in the current account caused by a currency depreciation
 - C. The gradual adjustment of home prices to a currency depreciation
 - D. The short-term effects of depreciation on the current account
 - E. The Keynesian view of international trade dynamics
16. The Marshall-Lerner Condition states that
- A. depreciation always has a favorable effect on the current account.
 - B. import dependency reinforces the effects of depreciation on the current account.
 - C. high elasticity of exports is sufficient for the favorable effects of depreciation on the current account to be observed.
 - D. depreciation has a favorable effect on the current account only if the sum of export and import elasticity is greater than one.
 - E. the sum of import and export elasticity must be equal to one in order for depreciation to occur.
17. Doubts regarding the monetarist contention that the economy adjusts quickly to its long-run equilibrium would be raised by evidence suggesting
- A. wages are extremely slow to adjust and rigid in the downward direction.
 - B. wages and prices are extremely flexible.
 - C. wages are extremely flexible but prices are not
 - D. supply shocks have almost no effect on the economy.
 - E. none of the above occur.
18. An increase in
- A. nominal output raises the interest rate, while a fall in real output lowers the interest rate, given the price level and the money supply.
 - B. real output decreases the interest rate, while a fall in real output increases the interest rate, given the price level.
 - C. real output raises the interest rate, while a fall in real output lowers the interest rate, given the money supply.
 - D. nominal output raises the interest rate, while a fall in real output lowers the interest rate, given the price level.
 - E. real output raises the interest rate, while a fall in real output lowers the interest rate, given the price level and the money supply.

19. When actual output is less than the natural rate level of output
- the aggregate demand curve shifts to the left.
 - the aggregate demand curve shifts to the right.
 - the aggregate supply curve shifts to the left.
 - the aggregate supply curve shifts to the right.
 - neither curve shifts.
20. If wages and prices are perfectly flexible with respect to expected changes in the price level, then an expansionary monetary policy will cause
- the aggregate demand curve to shift to the right, and output to increase only if the policy is anticipated
 - the aggregate demand curve to shift to the right, and output to increase only if the policy is unanticipated
 - an increase in the price level
 - both A and C of the above
 - both B and C of the above

II 計算問答題(10%)

In a barter economy, the 1 year real interest rate on banana is 15%, the 1 year real interest rate on apple is 25%, and the present price of an apple is 3 bananas. What is your best guess of the price of an apple in terms of bananas a year from now? Explain your answers. (10%)



第二部分 (50%)

A. Multiple Choice Questions (30%)

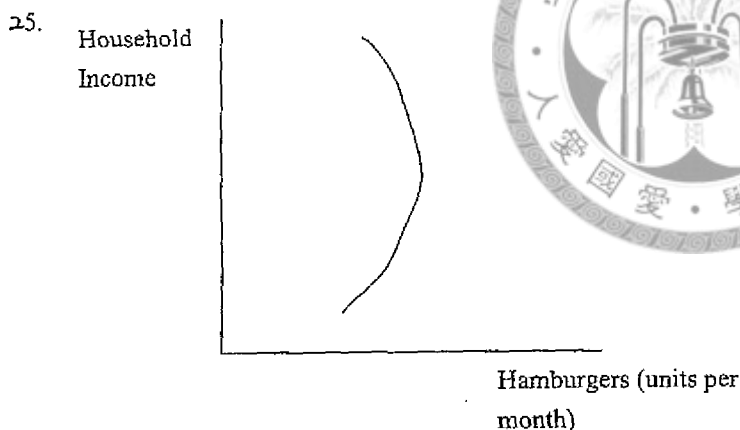
※ 注意：請於「選擇題作答區」接續作答。

21. To induce a shift to the right of the supply curve for gasoline, what should we do to attempt this goal?
- To encourage the use of public transportation through subsidy.
 - To reduce tariff levied on automobiles of high fuel efficiency.
 - To subsidize heavily in the research of alternative energy sources.
 - To enforce higher environmental standard on gas drilling.
 - Any of the above will do.
22. We observe that both the price of cakes and the number of bakery are rising over time. This is due to:
- continual improvements in baking technology and more import competition.
 - decrease in rent of business space to open a bakery.
 - increase in the demand of desserts over times.
 - more stringent requirements of environmental protection requiring producers to use more expensive raw materials.
 - none of the above.

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23. If a consumer must spend her entire income on some combination of two commodities, it turns out that he chooses to spend it on just one of the commodities. Which of the following behavioral assumptions in consumers theory is violated then:
- incompleteness
 - convexity
 - non-transitivity
 - more is always better
 - none of the above is violated.

24. John's income-consumption curve is a straight line from the origin. Now suppose that John's tastes change such that his new income-consumption curve remains the same shape but rotates 5 degrees clockwise. Then John's demand curve for the good on the vertical axis:
- will shift to the left.
 - will shift to the right.
 - will spend more on this product.
 - will spend the same amount on this product.
 - might be any of the above.



Based on the above diagram, it can infer that:

- hamburgers are a normal good for all levels of income.
 - hamburgers are an inferior good, but not a Giffen good, for all levels of income.
 - hamburgers are a Giffen good for all levels of income
 - hamburgers are an inferior good for low levels of income, but at higher levels of income become a normal good.
 - none of the above.
26. Wheat farmers estimate that domestic demand for its product will be: $Q = 36,000 - 0.2P$. The export demand will be $Q = 54,000 - 0.6P$. Then the total market demand curve for this product will be a:
- straight line with a slope of -0.4.
 - straight line with a slope of -.08
 - kinked line with the kink at $Q = 18,000$.
 - kinked line with the kink at $P = 54,000$.
 - none of the above.

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27. Which of the following algebraic forms for a demand curve yields an iso-elastic demand curve?
- $Q = a - b \ln(P) + c \ln(I)$.
 - $Q = a - b \cdot P + c \cdot I$.
 - $\ln(Q) = a - b \ln(P) + c \ln(I)$.
 - $\ln(Q) = b \cdot P + c \cdot I$.
 - all of the above.
28. What would best explain why a risk-averse person would bet on Lotto with unusually high prize cumulated up from the past?
- Risk aversion relates to income choices only, not expenditure choices.
 - Risk-averse people may gamble under some favorable circumstance.
 - The economics of gambling and the economics of income risk are two different things.
 - Risk-averse people attach high subjective probabilities to favorable outcomes, even when objective probabilities are known.
 - People care for the disfavored and are always willing to spend on them.
29. Incremental production cost is the same concept as:
- average cost.
 - capital expenditure cost.
 - fixed cost.
 - variable cost.
 - sunk cost.
30. If a competitive firm's marginal costs always increase with increase of output, then at the profit maximizing level, the producer surplus is:
- Zero because marginal costs equal marginal revenue.
 - Zero because price equals marginal costs.
 - Positive because price exceeds average variable costs.
 - Positive because price exceeds average costs.
 - Positive because revenues are increasing while variable costs are falling.
31. If the regulatory agency sets a price where $AR=AC$ for a natural monopoly, then her output will be
- equal to what produced in the competitive level
 - equal to the monopoly profit maximizing level
 - greater than the monopoly profit maximizing level yet less than the competitive level
 - greater than the competitive level
 - the monopoly will leave this market for sure.

32. Mau Inc. has a monopoly in the nut industry. The demand curve and marginal cost curve for nuts are given as follows: $P = 360 - 3Q$ and $MC = 4Q$.

At the profit maximizing level of output, what is the deadweight loss?

- a. No deadweight loss at all
- b. around 450
- c. around 900
- d. greater than 1800
- e. no way to tell the impact of dead weight loss.

33. Being with the status of students, one usually enjoys price discount to consume service products but rarely will one finds this treatment when buying material commodities. This is because:

- a. service product cost less to be supplied.
- b. commodity cost more to be produced.
- c. a two-part tariff is more likely to be adopted in supply of service.
- d. the necessary presence of consumers in service supply can avoid the attempt of resale.
- e. labor cost is much lower in the production of commodities.

34. Suppose that input factor market is perfectly competitive, but the output market is facing regulation in the form of price ceiling. After the regulator raises the price ceiling, the input price will:

- a. be greater than new output price times the marginal product of input
- b. be equal to new output price times the marginal product of input
- c. be less than new output price times the marginal product of input
- d. input demand will shift to the left.
- e. none of the above is correct

35. Both labor input, L , and capital input, K , are used in production of two goods X and Y . A competitive equilibrium is reached and is efficient in both production and exchange when:

- a. $MRS_{XY} = MRT_{LK}$
- b. $MRT_{LK} = MRS_{LK}$
- c. $MRS_{XY} = MRT_{XY}$
- d. $MC_X / MC_Y = P_X / P_Y$
- e. none of the above.

B. Essay question (20%)

The market for an industrial input has a single dominant firm and a competitive fringe. Marginal cost for the dominant firm is \$0.6 per gallon. The market demand curve and competitive fringe supply curve are given below.

$$Q_M = 160,000 - 32,000P$$

$$Q_F = 6,000 + 4,000P$$

where Q_M = market quantity demanded, and Q_F = the supply of the competitive fringe.

- Determine the price and output that would prevail in the market under the conditions described above.
- Assume that the demand curve shifts rightward by 6,000 units. What output (leader and follower) and market price will prevail after demand changed.

