

系所組別：交通管理科學系甲、乙組

考試科目：經濟學

考試日期：0223，節次：1

※ 考生請注意：本試題不可使用計算機。請於答案卷(卡)作答，於本試題紙上作答者，不予計分。

The section of multiple choices has 10 questions and each question is 5 points. The essay section has 2 questions and the points are listed at the end of each question. There are 100 points in total. Please number your answers accordingly.

### **Part A: Multiple Choice Questions (單選題)**

1. "The tax on insulin in the Philippines is anywhere between 10 and 20 percent. If you are rich and living in the Philippines, this is not a problem, but if you are poor, then insulin becomes something that you cannot afford." Why do buyers care so much about a tax on insulin, a vital daily medicine for those with diabetes?
  - a. Because buyers pay virtually the entire tax on insulin because the demand is almost perfectly inelastic
  - b. Because sellers increase their profit when there is a tax
  - c. Because more insulin can be provided to those in need
  - d. Because the tax incidence is equal between the buyers and sellers
2. The federal government pays airlines to service small cities in the United States through a subsidy program called Essential Air Service which was established in 1978 when the airline industry was deregulated. Most subsidies can't exceed \$200 per passenger. What is NOT an effect of this subsidy?
  - a. an increase in price and an increase in quantity produced
  - b. an increase in supply
  - c. an increase in variable cost
  - d. inefficient overproduction
3. Suppose that Richard has just told you that he would not pay more than \$100 dollars for one of his favorite baseball cards. You offer to give him \$110 dollars for his card and he refuses. What consumer choice theory or effect explains this result?
  - a. the endowment effect
  - b. bounded rationality
  - c. bounded self-interest
  - d. the endorsement effect
4. Since natural monopolies have a declining average cost curve, regulating natural monopolies by setting price equal to marginal cost would
  - a. cause the monopolist to operate at a loss.
  - b. result in a less than optimal total surplus.
  - c. maximize producer surplus.
  - d. result in higher profits for the monopoly.
5. Four people each have a different willingness to pay for one unit of a good: George will pay \$15, Glen will pay \$12, Tom will pay \$10, and Peter will pay \$8. If price is equal to \$9 per unit then the quantity demanded in the market will be \_\_\_\_\_ and the consumer surplus for this unit will be \_\_\_\_\_.
  - a. 3; \$10
  - b. 3; \$37
  - c. 3; \$36
  - d. 4; \$8

(背面仍有題目，請繼續作答)

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6. In mid-2008 Delta increased the price of a New York to LA ticket by 10 percent. As a result of this price hike, there was a \_\_\_\_\_ shift in the demand curve for a ticket on Continental because the price of a \_\_\_\_\_ had risen.
- rightward; complement
  - leftward; substitute
  - leftward; complement
  - rightward; substitute
7. Which of the following statements is correct for both a monopolist and a perfectly competitive firm?
- The firm maximizes profits by equating marginal revenue with marginal cost.
  - The firm maximizes profits by equating price with marginal cost.
  - Demand equals marginal revenue.
  - Average revenue equals price.
- i), iii), and iv) only
  - i) and iv) only
  - i), ii), and iv) only
  - i), ii), iii), and iv)
8. Which of the following statements is correct?
- If duopolists successfully collude, then their combined output will be equal to the output that would be observed if the market were a monopoly.
  - Although the logic of self-interest decreases a duopoly's price below the monopoly price, it does not push the duopolists to reach the competitive price.
  - Although the logic of self-interest increases a duopoly's level of output above the monopoly level, it does not push the duopolists to reach the competitive level.
  - All of the above are correct.
9. If the government runs a budget deficit, then
- national saving is negative.
  - household but not business saving must pay for the deficit.
  - part of household and business saving finances the deficit.
  - national saving cannot fund investment.
10. In 2007, interest rates in Germany were 4.7 percent while the inflation rate was 1.7 percent. In 2008, interest rates increased to 5.3 percent and the inflation rate increased to 2.0. As a result, there is
- a leftward shift in Germany's demand for money curve.
  - a downward movement along Germany's demand for money curve.
  - a rightward shift in Germany's money supply curve.
  - an upward movement along Germany's demand for money curve.

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### **Part B: Essay Questions**

- 1) How do taxes, pollution charges, and cap-and-trade work to reduce emissions? (20)
  
- 2) Please read the article and answer following questions. (30)

#### *Low-cost aviation in the Middle East (Economist, 2013)*

In many parts of the world, low-cost carriers are synonymous with no-frills flying. The liberalisation of the world's more mature aviation markets has resulted in intense competition on short-haul sectors, prompting cost-conscious airlines to strip out all but the most essential services. The Middle East has yet to tear down its aviation regulations, so its new breed of low-cost carriers has developed a less Spartan ethos.

"In this world, you don't have a one-size-fits-all model," says Marwan Boodai, chairman of Jazeera Airways, a Kuwaiti low-cost carrier founded in 2005. Along with three other low-cost carriers—UAE-based FlyDubai and Air Arabia, plus Saudi Arabia's Nas Air—Jazeera is trying to inject competition into a marketplace still dominated by state-owned legacy airlines. It is not easy. "Our consumers have high expectations with the low-cost model," Mr Boodai notes, quipping that withholding caviar is one way of trimming costs. (He is only half joking: the big three Gulf airlines—Etihad, Emirates and Qatar Airways—all dish out the black stuff in first class.)

No luxury for Jazeera's customers, then, but more than the occasional frill to keep them content. The Kuwaiti airline gives its passengers a whopping free-baggage allowance of 40kg on short-haul flights. That also includes complimentary on-board meals. This emphasis on preserving quality is epitomised by the rise of business-class products. Nas Air offers three different fare types with varying degrees of flexibility. Jazeera reserves a section of its all-economy-configured aircraft for premium traffic, leaving middle seats vacant and separating the classes with a curtain. FlyDubai took this one step further in June, unveiling a dedicated business-class cabin with larger, more extravagant seats. "The middle-seat option was not something that appealed to us," says the boss of FlyDubai. "We are low-cost because of how we manage ourselves. But to be seen as a product of Dubai, we must do things properly."

- a. Please use economic concepts to explain why the product differentiation can help a low-cost carrier (LCC) maintain its competitiveness.
- b. Please define "price discrimination", and 3 conditions for this strategy to be effective.
- c. Do you think LCC in Middle East is moving toward the "perfect price discrimination"? Please provide your arguments.