

Part I Choose the BEST Answer. Four Points for Each Question.

1. *United Steel Co.* faces the following demand curve for his product: $P = 100 - 2Q$. The cost function is estimated to be $C = 0.5Q^2 + 10$. Which of the following answer is correct?
 - a. The profit-maximizing output level is 15 units
 - b. The optimal price charged is \$60
 - c. The optimal profit is \$900
 - d. None of the above.
2. Following question 1, if the government decides to levy tax on steel industry, and is considering two alternatives: lump-sum tax or profit tax. A lump-sum tax system will tax firms a fixed amount of money each period; while the amount of tax in the profit tax system is proportional to firms' profit level. How will the optimal level of output (Q^*) be changed under different tax systems?
 - a. Q^* decreases under both lump-sum and profit tax systems.
 - b. Q^* decreases in profit tax system, but not in lump-sum tax system.
 - c. Q^* remains the same under both lump-sum and profit tax systems.
 - d. Q^* decreases in lump-sum tax system, but not in profit tax system.
3. About the long-run and short-run cost curves, which statement is true?
 - a. The long-run cost curve is the horizontal sum of the short-run cost curves.
 - b. The long-run cost curve is always more elastic than the short-run ones.
 - c. The short-run cost curve is the average cost curve above the minimum point of average variable cost curve.
 - d. It is possible for the long-run cost to be greater than the short-run cost.
4. The long-run equilibrium price level in monopolistic competition is usually higher than that in perfect competitive markets. It is mainly due to
 - a. product differentiation.
 - b. smaller number of producers.
 - c. smaller market size.
 - d. interaction between competitors.

(背面仍有題目,請繼續作答)

5. Assuming that flour is the main input in the production of bread, the imposition of a minimum price for flour (i.e., a price above the competitive equilibrium level) is likely to result in which of the following change in the markets?
- The demand for flour increases.
 - The supply for bread increases.
 - The demand for bread decreases.
 - The demand of flour remains the same.
6. For efficient production firms must choose its inputs combination so that
- The marginal products of all inputs are the same.
 - The marginal rates of technological substitution of all inputs are the same.
 - The dollar worth of marginal products of all inputs is the same.
 - Marginal revenue is equal to marginal cost.
7. Which of the following statements are true
- If income rises, with no change in the relative prices of goods, a rational consumer will increase the consumption of all the goods he had previously consumed by the same proportion.
 - Rational behavior is incompatible with the possibility that all goods consumed by a given consumer would be inferior goods.
 - Rational investors should never make mistakes in the markets.
 - None of the above.
8. Which one of the following factor will cause the demand curve of coffee, a normal good, to shift to the left?
- The increase in coffee prices.
 - The decrease in disposable income.
 - The increase in the price of tea, a substitute of coffee.
 - A hurricane that swept most of the coffee trees in Columbia.
9. Expansionary fiscal policy tends to be less effective on real GDP in an open economy than in a closed economy. It is mainly because expansionary fiscal policy in an open economy is likely to result in
- the appreciation of domestic currency.
 - the increase in export.
 - the reduction in government revenue.
 - the increase in nominal wage level.

10. If an economy has reached the condition of full employment, expansionary monetary policy will lead to
- an increase of real output.
 - a higher price level.
 - an increase in real wage.
 - none of the above.
11. About liquidity trap, which one of the following statement is NOT true?
- Monetary policy is very effective.
 - Liquidity trap implies near-horizontal aggregate demand curve.
 - Fiscal policy is effective.
 - Interest rate remains at a stable level.
12. The assumption of "Wage Rigidity" in Keynesian model suggests
- a vertical aggregate supply curve.
 - a positive sloped aggregate supply curve.
 - a outward shift of production function.
 - an equilibrium of labor market.
13. About inflation, which one of the following statement is NOT true?
- Inflation increases the burden of fixed-debt borrowers.
 - Inflation is likely to result in currency depreciation.
 - Inflation increases various types of transaction costs.
 - Higher inflation reduces real interest return.
14. About GDP, which one of the following statement is NOT true?
- GDP does not count underground economic activities.
 - GDP does not count international (foreign) workers' income.
 - The service of selling used cars is considered one part of GDP.
 - As an indicator of welfare, GDP is not able to reflect the quality of environment.
15. Which one of the following factor will increase money demand?
- The popularity of credit card.
 - The extensive opening of bank branches in local markets.
 - The increase of cash withdrawing fees at the ATM machines.
 - The decreasing price level.

(背面仍有題目,請繼續作答)

Part II : Your grade on the following questions depends on the quality of your reasoning, not conclusions. Please clearly show how the answers are derived .

1. (10 pts) The old people who depend on government security payment as the major income source are usually hurt by high rate of inflation. In order to compensate for their loss, two proposals are raised. Proposal 1 argues that the old people should be compensated to the level that they are able to maintain the original consumption level; while proposal 2 suggests that the old should be compensated to the level that they are able to maintain the original utility level. Which proposal benefits more to the old? Use utility graph to back up your answer.
2. (20 pts) Suppose there is rationing of goods. A person consuming only two goods, X and Y, receives \$200 and 56 coupons per week. The money prices of the two goods are \$5 each, but a unit of X costs 1 coupon whereas a unit of Y costs 2 coupons. To obtain each good, the consumer must pay both the money and the coupons prices
 - a. Draw the consumer's outerboundary of consumption opportunities. If he spend all the income and coupons at this command, what would be the quantities of X and Y he would have consumed?
 - b. Initially there is no trade in coupons. The person then chooses to consume 30 units of X and 10 units of Y per week. If the government decides to increase the number of coupons distributed to individuals without changing the coupons' prices of the goods, how would our consumer change his consumption pattern?
 - c. If both money income and the allotment of coupons remain at their initial level but the government decides to allow a trade in coupons among different consumers, would our consumer be willing to sell or buy coupons for money? Would his welfare, then, increase, decrease or remain constant. State your answer rigorously.
3. (10 pts) Currently there is a great debate about the "New" versus "Old" Economy.
 - a. What is the "New Economy" the press is referring to?
 - b. In the 1920s, the introduction of electricity into industrial production brought up huge boost on plant productivity. Most people believed then that the world was entering a new era, just like the current widely holding belief that the New Economy is going to lead us into another world. The consequence of the productivity boost in 1920s was consistent price decline caused by huge excess supply, which is one of the important factors contributing to the later Great Depression. In your opinion, is the New Economy just a bubble that exists only for a while, or it is going to change the way we live this world? Please defend your answer rigorously.