

**I. True or False (30 points, 3 pts each)**

1. Lydia ate only milk and bread. If the utilities of her consuming both milk and bread at any quantities triples now, then, in equilibrium, Lydia will eat more milk and bread than before.
2. Alex currently consumes at a point where the marginal rate of substitution is 0.7 while his budget line has a slope (absolute value) of 0.8. Then, Alex's utility will be improved when in equilibrium
3. The dominant firm sets price where the elasticity of its demand curve is less than 1 according to the dominant firm model of oligopoly.
4. There are two choices. Choice A provides with \$8000 with probability of 50% or \$12,000 with probability of 50% while Choice B provides with \$7000 with probability of 50% or \$13,000 with probability of 50%. Therefore, the risk of Choice B will be the same as the risk of Choice A.
5. When the reduction of money shock happens, the money wages and prices will be reduced in accordance.
6. If the inflation turns out to be lower than expected, then the lenders based on the lending contract with a fixed interest rate will be hurt.
7. If the unexpected increases in the growth rates of the money supply, then the short-run Phillips curve will move.
8. If the tax rate is 50%, the nominal interest rate is 10%, and the inflation rate is 3%, then the real interest rate is 2%.
9. According to Neoclassical growth theory, the technological progress is endogenous.
10. In the short run, the interest rate changes to keep the supply and demand of money in equilibrium; aggregate output reacts to the movement of the aggregate demand; the price level is rigid.

(背面仍有題目,請繼續作答)

## II. Choose the BEST answer (30 points, 3 pts each)

1.	Price Per Pair	Quantity Demanded	Quantity Supplied
	\$10	12	3
	\$15	10	5
	\$20	7	7
	\$35	5	10
	\$50	3	12

**Remark:** Supply and Demand Schedule of Shoes

If a price ceiling of \$15 is imposed by the government, then there will be a

- (A) surplus of shoes equal to 9 pairs  
 (B) shortage of shoes equal to 5 pairs  
 (C) surplus of shoes equal to 5 pairs  
 (D) shortage of shoes equal to 9 pairs
2. According to the supply and demand schedule of question 1, if a price floor of \$50 is imposed by the government, then there will be a
- (A) surplus of shoes equal to 9 pairs  
 (B) shortage of shoes equal to 5 pairs  
 (C) surplus of shoes equal to 5 pairs  
 (D) shortage of shoes equal to 9 pairs
3. According to the supply and demand schedule of question 1, a pair of shoes costs at the equilibrium?
- (A) \$10  
 (B) \$15  
 (C) \$20  
 (D) \$35
4. Which statement regarding the relationship between average product (AP) and marginal product (MP) under the fully competitive market is **WRONG**?
- (A) If  $AP > MP$ , then MP is decreasing.  
 (B) If  $AP = MP$ , then it indicates a point where production stages I and II

intersect.

(C) If MP is decreasing, then  $AP > MP$

(D) If MP is increasing, then  $AP < MP$

5. Lydia chooses to work 40 hours a week at \$60/an hour or 35 hours a week at \$70/an hour, then which statement is **RIGHT**?

A. Income Effect of Leisure is larger than Substitution Effect of Leisure

B. Substitution Effect of Leisure is larger than Income Effect of Leisure.

C. Substitution Effect of Leisure is negative.

D. Income and Substitution Effects of Leisure cancel out.

6. Lydia can make 48 hotdogs in 8 hours, Alex can make 150 hotdogs in 30 hours, Cindy can make 49 hotdogs in 7 hours and Anne can make 160 hotdogs in 20 hours. Who is the most productive hotdog maker?

(A) Lydia

(B) Alex

(C) Cindy

(D) Anne

7. The market for workers is in equilibrium at \$20/hour and 2,000 workers. Suppose there is a recession and firms are now willing to pay workers \$5/hour less. What is the new equilibrium wage and quantity in this labor market?

(A) \$17/hour; 1,500

(B) \$15/hour; 2,000

(C) \$19/hour; 1,000

(D) \$22/hour; 1,500

8. Suppose the chemical industry is a competitive constant cost industry. Suppose the marginal cost of making chemical products decreases. The industry-wide quantity

(A) changes by more in the short run than in the long run

(B) changes by more in the long run than in the short run

(C) changes, but changes by the same amount in the short run and the long

(背面仍有題目,請繼續作答)

run

(D) does not change in either the short run or the long run

9. Lydia places a \$12 value on a glass of red wine, and Alex places an \$10 value on it. If there is no tax on glasses of red wine, the price of a glass of red wine reflects the cost of making it. The equilibrium price for a glass of red wine is \$8. Suppose the government levies a \$3 tax on each glass of red wine and the equilibrium price of a glass of red wine increases to \$11.

Because total consumer surplus

- (A) has fallen by less than the tax revenue, the tax has no deadweight loss.  
 (B) has fallen by more than the tax revenue, the tax has a deadweight loss  
 (C) has fallen by exactly the amount of the tax revenue, the tax has no deadweight loss.  
 (D) has increased by less than the tax revenue, the tax has a deadweight loss.

10. Consider the economy where the price level=\$50, real GDP=200, and the quantity of money=\$200, According to the quantity equation, what is the velocity of money?

- (A) 10  
 (B) 25  
 (C) 50  
 (D) 100

**III. Answer the following questions. Your grade will reflect your economic reasoning. Use graph to facilitate your explanation whenever needed.**

1. (15%) During the presidential election, President Chen claimed that his administration had done a good job in economy recovery because the increase in foreign reserve for the past three years is larger than that under previous administration. On the next day after the President's comment on foreign reserve, a senior economist argued in a major business newspaper that President Chen had made a mistake in his comment.
- a. Why and how does the amount of foreign reserve change (increase or decrease) across time?

- b. Besides Taiwan, please name two other countries that are on the top of the list in terms of foreign reserve holdings.
  - c. In your opinion, why is increase in foreign reserve not necessarily a reflection of a good economy?
2. (7%) A monopolist initially maximizes profit by selling 1,000 units of output per year. A salesman then offers to rent a machine that reduces the firm's marginal costs by \$10 at each level of output. The price charged for this machine is \$10,000. Do you think this is a good deal or not?
3. (8%) Would imposition of a fixed per-unit tax ( e.g., NT10 per gallon of gasoline) tend to increase or reduce the equilibrium quantity for HIGH-QUALITY gasoline offered on the market
4. (10%) Why does the short-term demand function tend to be less elastic than the long-term demand function? Can you give an example to illustrate the above argument?