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Part I: Multiple Choice (60 points)

(Choose the best answer for each question, 3 points each)

1. For inferior goods, the demand curve will be negatively sloped as long as
 - (a) the substitution effect reinforces the income effect.
 - (b) the substitution effect is stronger than the income effect.
 - (c) the income effect is stronger than the substitution effect.
 - (d) the increase in real income that accompanies a price decrease also works to increase quantity demanded.

2. To measure the income effect, it is necessary to
 - (a) keep prices constant and therefore move to the new indifference curve.
 - (b) keep prices constant and therefore remain on the original indifference curve.
 - (c) keep income constant and therefore move to the new indifference curve.
 - (d) keep income constant and therefore remain on the original indifference curve.

3. To determine the demand for a public good,
 - (a) individual demands are summed horizontally, as under private goods.
 - (b) individual demands are summed vertically, in contrast to private goods.
 - (c) individual demands are considered separately.
 - (d) There is no demand for a public good.

4. For an individual who is risk-loving, the von Neumann-Morgenstern utility function is
 - (a) linear.
 - (b) convex.
 - (c) concave.
 - (d) negatively sloped.

5. The labor force is defined as people
 - (a) who have a job or are looking for a job.
 - (b) in the working-age population who have a job.
 - (c) in the working-age population who have a full time job.
 - (d) who are 16 years of age or older.

(背面仍有題目,請繼續作答)

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6. Isoquants are usually convex because
- (a) the marginal rate of technical substitution diminishes as we move down the isoquant from northwest to southeast.
 - (b) the increase in output diminishes as we move from one isoquant to the next isoquant in a plane.
 - (c) labor is being used less efficiently as we move down the isoquant from northwest to southeast.
 - (d) capital is being used less efficiently as we move down the isoquant from northwest to southeast.
7. The total cost of using all of the inputs whose levels do not vary with output is the
- (a) long-run fixed cost.
 - (b) long-run variable cost.
 - (c) short-run fixed cost.
 - (d) short-run variable cost.
8. Which of the following statements is false?
- (a) Perfectly competitive firms face perfectly elastic demand curves.
 - (b) For a perfectly competitive firm, marginal revenue always equals marginal cost.
 - (c) The demand curve for a perfectly competitive firm is horizontal.
 - (d) The demand curve for a perfectly competitive firm is the marginal revenue curve.
9. In an increasing-cost industry, some of the factors of production have
- (a) upward-sloping supply curves and a long-run producer surplus that is greater than zero.
 - (b) horizontal supply curves and a long-run producer surplus that is greater than zero.
 - (c) upward-sloping supply curves and a long-run producer surplus that is zero.
 - (d) horizontal supply curves and a long-run producer surplus that is zero.
10. Economies of scale is more likely to act as a structural barrier to entry when
- (a) the minimum efficient scale is a smaller percentage of the firm's demand.
 - (b) the minimum efficient scale is a larger percentage of the firm's demand.
 - (c) the minimum efficient scale is a smaller percentage of total market demand.
 - (d) the minimum efficient scale is a larger percentage of total market demand.

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11. For a multiplant monopolist, profit maximization requires that
- (a) output level is equal across all plants but the marginal cost might differ between plants.
 - (b) marginal cost is equal across all plants but each plant may produce a different output level.
 - (c) both marginal cost and output level are equal across all plants.
 - (d) neither marginal cost nor output level are equal across all plants.
12. A monopolistically competitive market is inefficient because
- (a) it produces a larger output level than that which minimizes average cost.
 - (b) it produces a larger output level than that which minimizes marginal cost.
 - (c) it produces a smaller output level than that which minimizes average cost.
 - (d) it produces a smaller output level than that which minimizes marginal cost.
13. When a student finishes college and begins looking for work,
- (a) cyclical unemployment increases.
 - (b) structural unemployment increases.
 - (c) frictional unemployment increases.
 - (d) frictional and cyclical unemployment increase.
14. If the cross-price elasticity of demand between two goods is positive, the two goods are
- (a) complements.
 - (b) substitutes.
 - (c) inferior goods.
 - (d) normal goods.
15. If a good is produced by a monopoly, the elimination of price discrimination
- (a) improves welfare.
 - (b) reduces welfare.
 - (c) leaves welfare unchanged on balance.
 - (d) has no effect on welfare.

(背面仍有題目,請繼續作答)

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16. The Coase theorem states that
- (a) if transactions costs are zero and legal property rights are clearly defined, bargaining between two parties will always result in an efficient outcome.
 - (b) whether transactions costs are zero or positive and legal property rights are clearly defined, bargaining between two parties will always result in an efficient outcome.
 - (c) bargaining will result in an efficient outcome in the case of negative externalities but not positive externalities.
 - (d) None of the above.
17. In the Cournot model, the Cournot equilibrium is the only point where both firms make the correct assumption concerning
- (a) the price that the other firm will charge.
 - (b) the output of the other firm.
 - (c) the industry demand curve.
 - (d) the industry supply curve.
18. Insurance companies often require co-payments because of
- (a) the prisoners' dilemma.
 - (b) adverse selection.
 - (c) moral hazard.
 - (d) limited price information.
19. A common resource is a good that is
- (a) neither nonrival nor nonexcludable.
 - (b) both nonrival and nonexcludable.
 - (c) nonrival but excludable.
 - (d) rival but nonexcludable.
20. In years with inflation, nominal GDP increases _____ real GDP.
- (a) faster than
 - (b) slower than
 - (c) at the same rate as
 - (d) sometimes faster, sometimes slower, and sometimes at the same rate

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※ 考生請注意：本試題 可 不可 使用計算機**Part II: Essay Question (40 points)**

1. (Total 20 points) Illustrate the following situations using supply and demand curves for money:
 - (a) The Fed buys bonds in the open market during a recession. (5 points)
 - (b) During a period of rapid inflation, the Fed increases the reserve requirement. (5 points)
 - (c) The Fed acts to hold interest rates constant during a period of high inflation. (5 points)
 - (d) During a period of no growth in GDP and zero inflation, the Fed lowers the discount rate. (5 points)

2. (Total 20 points) Studies have fixed the short-run price elasticity of demand for gasoline at the pump at -0.2 . Suppose that international hostilities lead to a sudden cutoff of crude oil supplies. As a result, U.S. supplies of refined gasoline drop 10 percent.
 - (a) If gasoline was selling for \$1.40 per gallon before the cutoff, how much of a price increase would you expect to see in the coming months? (10 points)
 - (b) Suppose that the government imposes a price ceiling on gas at \$1.40 per gallon. How would the relationship between consumers and gas station owners change? (10 points)