

I. Sharon has the following utility function:

$$U(X, Y) = \sqrt{X} + \sqrt{Y}$$

where X is her consumption of candy bars, and Y is her consumption of espressos.

- A. Derive Sharon's demand for candy bars and espresso (Hint: solve demand as function of P_x , P_y and I .) (10 points)
- B. Assume that $P_x = \$1$, $P_y = \$3$ and her income $I = \$1,200$. What is the marginal utility of income? (10 points)

II. Economists often argue that a temporary increase in government purchases—say, for military purposes—will crowd out private investment.

- A. Use the saving-investment diagram to illustrate this point, explaining why the curve(s) shift. Does it matter whether the temporary increase in military spending is funded by taxes or by borrowing? (5 points)
- B. Alternatively, suppose that the temporary increase in government purchases is for infrastructure (roads, sewers, bridges) rather than for military purposes. Use the saving-investment diagram to analyze the effects of government infrastructure spending on current consumption, national saving, investment, and the real interest rate. Does investment by private firms get crowded out by this kind of government investment? If not, what kind of spending, if any, does get crowded out? Assume that there is no change in current productivity or current output and assume also (for simplicity) that households do not expect a change in their future incomes. (5 points)

III. Suppose that the autonomous levels of consumption, investment, government purchases, and net exports are \$500 billion, \$300 billion, \$100 billion, and \$100 billion, respectively. Suppose further that the marginal propensity to consume (MPC) is 0.85, that the marginal propensity to import is 0.05, and that income is taxed at a proportional rate of 0.25.

- A. What is the level of real GDP demanded? (2 points)
- B. What is the size of the government deficit (or surplus) at this output level? (2 points)
- C. What is the size of net exports at the level of real GDP demanded? (2 points)
- D. What is the level of saving at this output level? (2 points)
- E. What change in autonomous spending is required to change equilibrium real GDP demanded by \$500 billion? (2 points)

(背面仍有題目,請繼續作答)

IV. Choose one of the best answer (3 points each)

Identify the letter of the choice that best completes the statement or answers the question.

1. Comparative advantage implies that a country will
 - A. import those goods in which the country has a comparative advantage.
 - B. export those goods in which the country has a comparative advantage.
 - C. find it difficult to conclude free trade agreements with other nations.
 - D. export goods produced by domestic industries with low wages relative to its trading partners.
 - E. not import nor export any good.

 2. If the deregulation of an industry leads to declining prices and an increased volume of sales, that outcome would mean there definitely is
 - A. a decrease in total surplus.
 - B. an increase in the total industry profit.
 - C. an increase in consumer surplus.
 - D. an increase in producer surplus.
 - E. a decrease in producer surplus.

 3. In the political marketplace, the consumers are
 - A. politicians.
 - B. voters.
 - C. bureaucrats.
 - D. students.
 - E. None of the above.

 4. Specialization of productive activity between men and women might explain why
 - A. a married woman earns less than a married man.
 - B. a never-married man earns more than a never-married woman.
 - C. a never-married man earns the same as married man.
 - D. a never-married man earns less than a married man.
 - E. None of the above answers are correct.
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5. All else equal, if violins are produced using a production process in which capital cannot be readily substituted for labor, then the demand for labor will be
- A. highly elastic.
 - B. somewhat elastic.
 - C. unit elastic.
 - D. inelastic.
 - E. None of the above.
6. The kinked-demand curve model predicts that
- A. dominant firms in oligopolistic markets will frequently change their prices.
 - B. small firms will look to larger firms for price leadership.
 - C. oligopolies often show no change in price although costs have changed.
 - D. the law of demand doesn't work for oligopolies.
 - E. None of the above.
7. Compared to a single-price monopoly, a perfectly competitive industry produces
- A. less output and has a lower price.
 - B. less output and has a higher price.
 - C. more output and has a lower price.
 - D. more output and has a higher price.
 - E. None of the above.
8. Homer's Holesome Donuts has determined that its profit-maximizing quantity is 10,000 donuts per year. Homer's earns \$12,000 in revenue from the sale of those donuts. Homer's has two costs. First he pays \$16,000 in annual rental payments for its five-year lease on its store. Second Homer incurs an additional cost of \$5,000 for ingredients. Homer's variable cost is equal to
- A. 0.
 - B. \$5,000.
 - C. \$16,000.
 - D. \$21,000.
 - E. \$28,000

(背面仍有題目,請繼續作答)

9. Suppose we know that Freddy likes to consume only two things: Fritos and Fruit Drinks. If we know only that Fritos and Fruit Drinks cost \$1 each, we can
- A. determine Freddy's budget line.
 - B. determine Freddy's utility for Fritos and Fruit Drinks.
 - C. determine the combination of Fritos and Fruit Drinks that maximize Freddy's utility.
 - D. We cannot determine Freddy's budget line or his utility from the available information.
 - E. None of the above.
10. Stefano has just completed an original oil painting. After considering the production costs for brushes, paint, canvas, and the value of Stefano's labor time, the opportunity cost of the painting is \$1,000. Lucky Stefano, one art lover paid him \$1,500. How much producer surplus did Stefano obtain?
- A. The amount of producer surplus cannot be determined from the information given.
 - B. \$1,500
 - C. \$1,000
 - D. \$500
 - E. \$0.
11. If the Taiwan's central bank buys bonds, then the money supply
- A. increases, the interest rate falls, and the quantity of money demanded increases
 - B. falls, the interest rate falls, and the quantity of money demanded increases
 - C. increases, the interest rate increases, and the quantity of money demanded increases
 - D. falls, the interest rate increases, and the quantity of money demanded falls
 - E. falls, the interest rate falls, and the quantity of money demanded falls
12. The labor force in Taiwan consists of all
- A. the people in the economy who are not retired
 - B. people in the economy over 16 years of age
 - C. the adults in the economy between 18 and 65 years old who are able to work
 - D. the noninstitutionalized population over 16 in the economy who hold jobs or are looking for them
 - E. None of the above
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13. Which of the following is *not* a weakness of fiscal policy?
- A. Implementation of policy is difficult.
 - B. Time lags in fiscal policy are long and variable.
 - C. Fiscal policy works only during periods of stagflation.
 - D. Fiscal policy often affects only current income, but many economic decisions are made on the basis of permanent income.
 - E. Fiscal policy might have undesirable long-term effects on short-run aggregate supply.
14. The difference between demand-pull inflation and cost-push inflation is that
- A. demand-pull inflation is caused by movements of the aggregate supply curve; cost-push inflation is caused by changes in firms' costs of production
 - B. cost-push inflation is caused by movements of the aggregate demand curve; demand-pull inflation is caused by cyclical activity in the economy
 - C. demand-pull inflation is caused by movements of the aggregate demand curve; cost-push inflation is caused by movements of the aggregate supply curve
 - D. demand-pull inflation is caused by government deficit spending; cost-push inflation is caused by firms
 - E. demand-pull inflation is caused by foreign demand; cost-push inflation is caused by domestic production problems
15. The Consumer Price Index is a measure of the
- A. cost of a market basket of consumer goods and services relative to its cost in some base year
 - B. change in the average price of a market basket of "necessary" goods and services
 - C. annual inflation rate in the producers' goods market
 - D. change in the average price level of all final goods and services
 - E. average price of all goods and services relative to their price last year
16. During recessions, workers resist efforts to reduce nominal wages because
- A. they believe wage reductions are inefficient
 - B. they care more about nominal wages than about real wages
 - C. they worry that they will not qualify for unemployment benefits
 - D. they would rather be unemployed than accept a lower nominal wage
 - E. of the difficulty of coordinating wage cuts on a large scale

(背面仍有題目,請繼續作答)

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17. Rhonda sells a house she has owned for 15 years. To make it more marketable, she buys carpeting and has it professionally installed, and buys wallpaper that her daughter hangs. Which items would be included in this year's GDP?
- A. the sale price of the house
 - B. the sale price of the house, carpeting, and wallpaper and the installation fee for the carpet
 - C. the sale price of the house, carpeting, and wallpaper, the installation fee for the carpet, and the opportunity cost of Rhonda's daughter's time
 - D. the sale price of the house, carpeting, and wallpaper, the installation fee for the carpet, and the opportunity cost of Rhonda's time
 - E. the sale price of the wallpaper and carpeting and the installation fee for the carpet
18. The loss of jobs as a result of the September 11, 2001 attack in New York
- A. affected all sectors of the economy because of the multiplier effect
 - B. affected only the airline and travel industries
 - C. had little effect on the national economy
 - D. was concentrated in New York City
 - E. explains why job losses are larger within a state than for the nation as a whole
19. In a model with neither income taxes nor international trade, if the marginal propensity to consume in your classmate's nation is $\frac{3}{5}$ and the marginal propensity to save in your country is $\frac{1}{10}$, which of the following must be true?
- A. Increases in government purchases increase real GDP demanded more per dollar in your country than they do in your classmate's country.
 - B. Decreases in government purchases increase real GDP demanded more per dollar in your country than they do in your classmate's country.
 - C. Increases in autonomous saving increase real GDP demanded more per dollar in your country than they do in your classmate's country.
 - D. Real GDP demanded is higher in your country than in your classmate's country.
 - E. Total saving is higher in your classmate's country than in your country.
20. A reduction in stock market values in Japan during the 1990s
- A. was caused by the Japanese government's monetary and fiscal policies
 - B. reduced consumer wealth and caused the consumption function to shift downward
 - C. reduced consumer wealth and caused the saving function to shift downward
 - D. can be traced back to a decrease in the Japanese price level
 - E. was probably caused by a reduction in Japanese imports
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