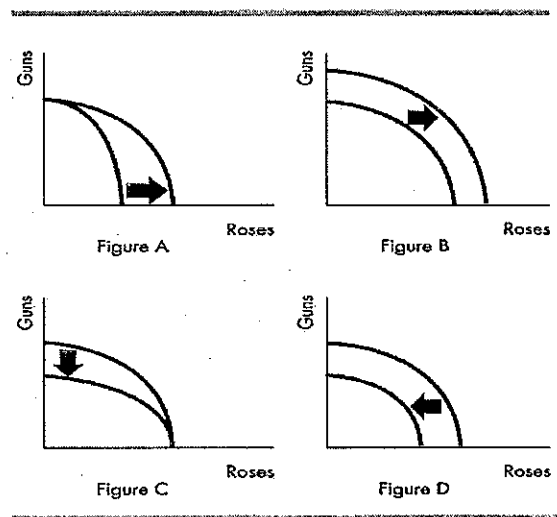


※ 考生請注意：本試題不可使用計算機。請於答案卷(卡)作答，於本試題紙上作答者，不予計分。

※ 本卷共 50 題，每題 2 分，共 100 分。

1. In the market for magazines, the "income effect" means that
 - A) magazines are usually purchased by people with higher than average incomes.
 - B) a decrease in the price of a substitute product like books will make magazine readers feel a little poorer than they were before.
 - C) an increase in the price of magazines will reduce the total purchasing power of magazine readers, making them able to afford fewer magazines.
 - D) an increase in the price of magazines will raise the relative price of magazines to books, causing magazine readers to read more books and fewer magazines.

2. Based on the right, _____ shows the impact of a decrease in the population available to work; _____ shows the impact of scientists developing a more powerful fertilizer.



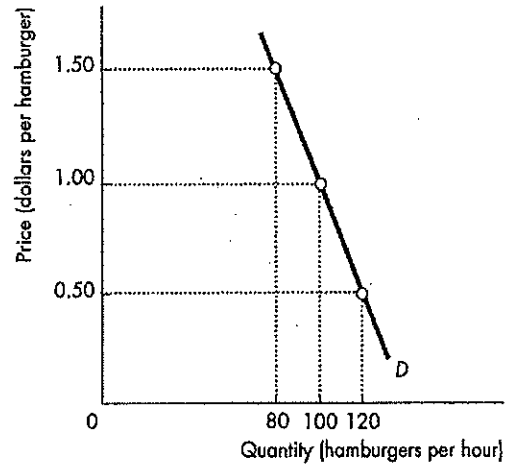
- A) Figure A; Figure D.
- B) Figure B; Figure C.
- C) Figure C; Figure B.
- D) Figure D; Figure A.

3. A system of property rights
 - A) encourages economic growth by creating incentives to invest in capital and to be innovative.
 - B) discourages economic growth by discouraging the development of new ideas and ways of doing things.
 - C) reduces the efficiency of government, which reduces the growth rate of the economy over time.
 - D) encourages investment but discourages entrepreneurial activity, so the effect on economic growth is uncertain.
4. Blank DVDs and prerecorded DVDs are substitutes in production. An increase in the price of a blank DVD will lead to
 - A) an increase in the supply of prerecorded DVDs.
 - B) a decrease in the supply of prerecorded DVDs.
 - C) an increase in the quantity supplied of prerecorded DVDs but not in the supply of prerecorded DVDs.
 - D) a decrease in the quantity supplied of prerecorded DVDs but not in the supply of prerecorded DVDs.
5. The *LRAC* (long-run average cost) curve
 - A) is the minimum points on all the short-run *ATC* (average total cost) curves.
 - B) shows the lowest possible marginal cost of producing the different levels of output.
 - C) shows the lowest attainable average total cost for all levels of output when all inputs can be varied.
 - D) generally lies above the short-run *ATC* curves.

6. Figure 2 illustrates the demand for hamburgers. When the price is \$1.00 a hamburger, the elasticity of demand is _____ and a 1 percent increase in the price will _____ the quantity of hamburgers demanded by _____ percent.

- A) 1.00; decrease; 0.40
- B) 0.40; decrease; 0.40
- C) 2.50; increase; 2.50
- D) 5.00; decrease; 5.00

Figure 2



7. In 2011, the price of peanuts was rising, which lead peanut butter sellers and peanut butter buyers to expect the price of peanut butter would rise in the future. Suppose the effect on the sellers was larger than the effect on the buyers. Consequently, in the *current* market for peanut butter there is a _____ in the price of peanut butter and _____ in the quantity of peanut butter.

- A) rise; an increase
- B) rise; a decrease
- C) fall; a decrease
- D) fall; an increase

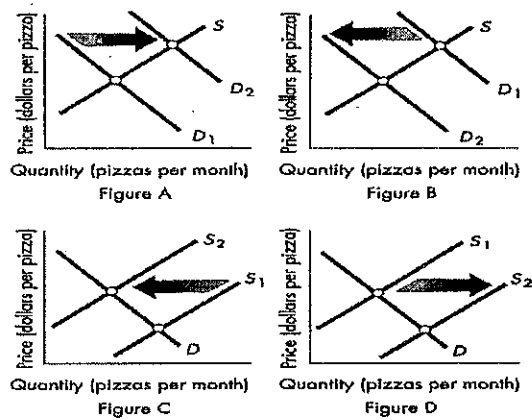
8. A country opens up to trade and exports computer chips. In the computer chip market, surplus has been redistributed from

- A) consumers to producers.
- B) producers to consumers.
- C) producers to government.
- D) government to consumers.

9. Figure 3 shows the market for pizza. Which figure shows the effect of an increase in the price of a complement such as soda?

- A) Figure A
- B) Figure B
- C) Figure C
- D) Figure D

Figure 3



10. When Joseph's annual income was NTD500,000, he purchased 50 pounds of bananas a year. When his income rose to NTD600,000, he purchased 55 pounds a year. Therefore,
- A) for Joseph, bananas are an inferior good.
 - B) his income elasticity of demand for bananas is negative.
 - C) his income elasticity and price elasticity of demand for bananas are both greater than one.
 - D) for Joseph, bananas are a normal good.

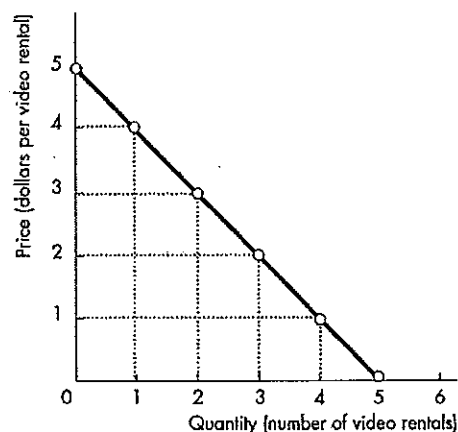
11. Michigan State University allocates 10,000 tickets for each home game to students at no cost. Students are required to stand in line and prove they are a full time student to receive a free ticket. Community members can purchase season tickets or tickets to an individual game. How are football tickets allocated to community members?
- A) market price
 - B) command
 - C) first-come, first-served
 - D) personal characteristics

12. The U.S.-Colombia Trade Promotion Agreement was signed on November 22, 2006, in Washington, D.C. This comprehensive trade agreement eliminated tariffs and other barriers to goods and services. Colombia will immediately eliminate tariffs on wheat, barley, peanuts, and many other products in which Columbia does not have a comparative advantage. This policy means that the price of peanuts in Columbia will become
- A) equal to the free trade price.
 - B) lower than the free trade price.
 - C) higher than the price when a tariff was in place.
 - D) higher than the free trade price.

13. Gunther rents PC games and videos. The marginal utility from his last PC game is 10 and that from his last video is 5. PC games rent for \$2 each. Gunther's demand curve for games is shown in Figure 4. How many videos a week does Gunther rent?

- A) 1
- B) 2
- C) 3
- D) 4

Figure 4



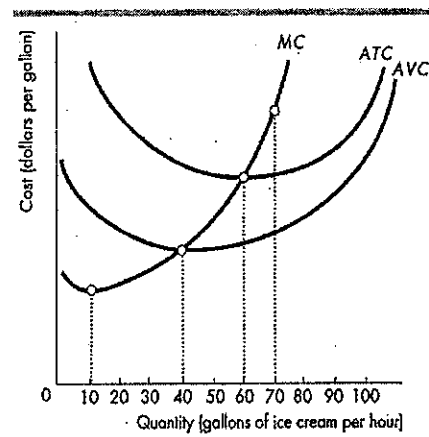
14. Andy spends \$30 a week on movies and magazines. The price of a movie is \$8, the price of a magazine is \$2, and Andy sees 3 movies a week and buys 3 magazines. The price of a magazine increases to \$4 and Andy's brother gives him \$6 a week so that he can still see 3 movies a week and buy 3 magazines. In this situation, Andy will see _____ movies a week and buy _____ magazines.

- A) fewer than 3; fewer than 3
 - B) 3; 3
 - C) fewer than 3; more than 3
 - D) more than 3; fewer than 3
15. Suppose a bond promises to pay its holder \$100 a year forever. The interest rate on the bond rises from 4 percent to 5 percent. The price of the bond
- A) falls from \$2,500 to \$2,000.
 - B) does not change because it is not affected by the interest rate.
 - C) falls from \$25,000 to \$20,000.
 - D) rises from \$2,000 to \$2,500.

16. In perfect competition, each individual firm faces _____ demand curve.
- A) an inelastic
 - B) an upward sloping
 - C) a perfectly elastic
 - D) a downward sloping

17. As illustrated in Figure 5, after 40 gallons are produced each hour at Ike's Ice Cream Kitchen, the *AVC* curve starts to slope upward. The *AVC* starts to slope upward because the
- A) *MC* curve slopes upward.
 - B) *MC* exceeds the *AVC*.
 - C) *ATC* curve has not yet reached its minimum.
 - D) None of the above answers is correct.

Figure 5



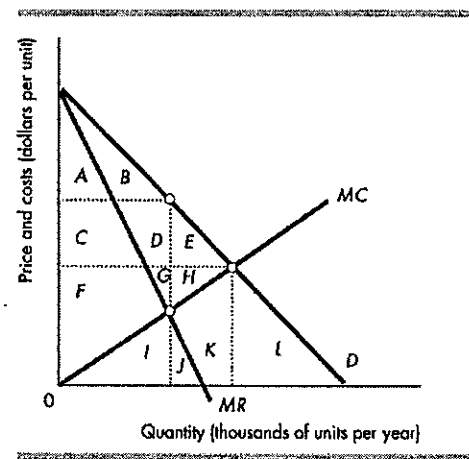
18. In a perfectly competitive market that is in long-run equilibrium, which of the following will NOT occur?
- A) Firms make only zero economic profit.
 - B) Firms' owners earn a normal profit.
 - C) The price equals the minimum average total cost.
 - D) Entrepreneurs want to enter this industry.
19. Suppose that the demand function for a monopolist's output is $Q=9-P$. Between which two quantities is marginal revenue equal to 0?
- A) 5 and 6
 - B) 4 and 5

- C) 3 and 4
- D) 2 and 3

20. If a nonrenewable natural resource's price is expected to increase at a rate faster than the interest rate, then
- A) the supply today will increase.
 - B) the supply today will decrease.
 - C) the demand today will decrease.
 - D) the price today will fall.

21. Which area in Figure 6 shows the producer surplus at the price and quantity that would be set by a single-price monopoly?
- A) $C + D$
 - B) $C + D + E$
 - C) $C + D + F + G$
 - D) $C + D + F + G + I$

Figure 6



22. The main purpose of antitrust law is to
- A) prohibit monopoly practices such as restricting output.
 - B) regulate advertising.
 - C) encourage the formation of cartels.
 - D) regulate the stock and bond markets.
23. A monopolistically competitive firm is like a perfectly competitive firm insofar as both
- A) have negatively sloping demand curves.
 - B) can make zero economic profit in the long run.
 - C) have horizontal MR curves.
 - D) are protected by high barriers to entry.

24. Firms A and B can conduct research and development (R&D) or not conduct it. R&D is costly but can increase the quality of the product and increase sales. The payoff matrix is the economic profits of the two firms and is given in Table 1, where the numbers are millions of dollars. A's best strategy is to

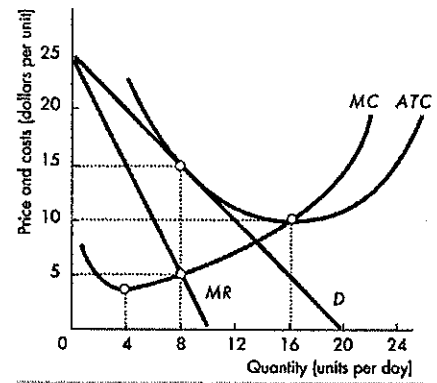
- A) conduct R&D regardless of what B does.
- B) not conduct R&D regardless of what B does.
- C) conduct R&D only if B conducts R&D.
- D) conduct R&D only if B does not conduct R&D.

Table 1

		Firm A	
		R&D	No R&D
Firm B	R&D	A: \$25 B: \$15	A: -\$3 B: \$60
	No R&D	A: \$60 B: -\$3	A: \$50 B: \$35

25. Free riding is not a problem in the market for a private good because
- A) people who do not pay for the good can be excluded from consumption.
 - B) the good is a rival good.
 - C) the market eliminates the problem of externalities.
 - D) the question errs because free riding is a problem in providing private goods.

Figure 7



26. Figure 7 shows the demand and cost curves for a monopolistically competitive firm in the long run. The firm maximizes its profit by
- A) producing 8 units and charging a price of \$5.
 - B) producing 8 units and charging a price of \$15.
 - C) producing 16 units and charging a price of \$10.
 - D) producing 20 units and charging a price of \$25.
27. A chemical factory and a fishing club share a lake. Producing chemicals creates water pollution that harms the fish. Initially the lake is owned by no one. Keeping in mind the Coase theorem, suppose transactions costs are low and the chemical factory is given ownership of the lake. Compared to the situation with no property rights, the quantity of chemicals produced
- A) will decrease.
 - B) will stay the same.
 - C) will increase.
 - D) changes, but the direction of the change is ambiguous.
28. If consumption expenditures are \$500 million, net investment is \$100 million, depreciation equals \$5 million, imports are \$50 million, exports are \$55 million, government expenditure on goods and services is \$220 million, and government transfer payments are \$20 million, then GDP is
- A) \$790 million.
 - B) \$800 million.
 - C) \$830 million.
 - D) \$850 million.
29. A recession causes a decrease in the demand for housing, resulting in substantial layoffs in the construction industry. The people laid off are considered
- A) cyclically unemployment.
 - B) frictionally unemployment.
 - C) seasonally unemployment.
 - D) structurally unemployment.

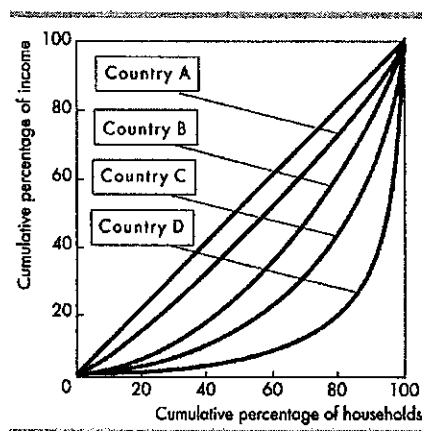
Table 2

Quantity (millions of students per year)	Marginal private benefit (thousands of dollars per student per year)	Marginal social benefit (thousands of dollars per student per year)	Marginal private cost and marginal social cost (thousands of dollars per student per year)
12	16	22	12
16	14	19	14
20	12	16	16
24	10	13	18

30. Table 2 shows the marginal costs and marginal benefits of college education. If the market for college education is perfectly competitive and unregulated, _____ students are enrolled in college. The efficient amount of enrollment is _____.
- A) 12 million; 24 million.
 - B) 20 million; 16 million.
 - C) 16 million; 20 million.
 - D) 24 million; 12 million.

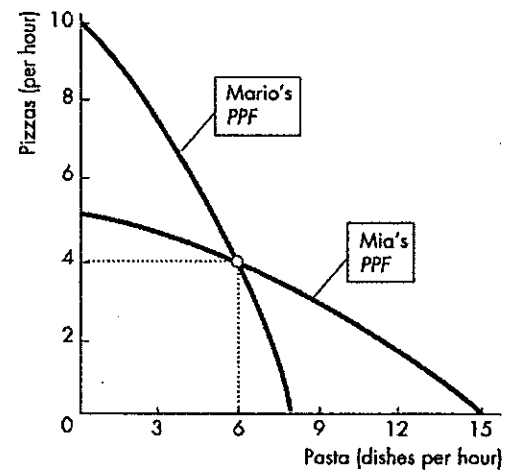
31. Figure 8 shows the Lorenz curves for four different countries. Which country has the most unequal distribution of income?
- A) Country A
 - B) Country B
 - C) Country C
 - D) Country D

Figure 8



32. A professional tennis player enters fewer tournaments each year as the prize money she won increased. This observation indicates that the tennis player
- A) is irrational.
 - B) has shifted her labor demand curve leftward.
 - C) has shifted her labor supply curve rightward.
 - D) has a backward bending labor supply curve.

Figure 9



33. Refer to Figure 9. Mario is self-sufficient and so is Mia. Each produces 6 dishes of pasta and 4 pizzas. Mario and Mia decide to specialize and trade. After they have specialized and traded, compared to the initial situation, Mia's opportunity cost of pasta has _____ and Mario's opportunity cost of a pizza has _____.

- A) decreased, decreased
- B) decreased, increased
- C) increased, increased
- D) increased, decreased

34. The currently used method for calculating the CPI

- A) accounts for people increasing consumption of a good that falls in relative price.
- B) probably overstates inflation by about 1 percentage point.
- C) has no effect on government expenditures.
- D) None of the above answers are correct.

35. All of the following would stimulate economic growth EXCEPT

- A) decreasing taxes on consumption (for instance, decreasing a sales taxes) and increasing income taxes.
- B) subsidizing basic research.
- C) decreasing tuition charges at state universities.
- D) encouraging international trade.

36. In the absence of the Ricardo-Barro effect, an increase in the government deficit results in a _____ real interest rate and a _____ equilibrium quantity of investment.

- A) higher; higher
- B) higher; lower
- C) lower; higher
- D) lower; lower

37. Suppose that the money multiplier is 4. If the monetary base decreases by \$2 million, the quantity of money will

- A) increase by \$8 million.
- B) increase by \$500,000.
- C) decrease by \$8 million.
- D) decrease by \$500,000.

Table 3

Technique	Capital (units)	Labor (units)
A	50	20
B	70	60
C	90	20
D	10	100

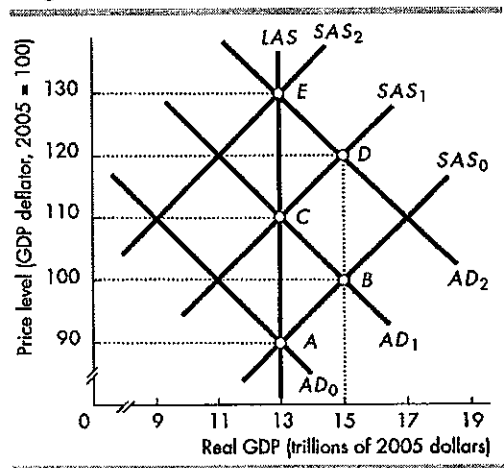
38. Table 3 gives techniques Papa Coffee Company can use to package 5,000 pounds of coffee. Which technique(s) is (are) technologically inefficient?

- A) A
- B) C
- C) B and C
- D) B, C, and D

39. In Figure 10, the movement from point A to B to C to D to E represents

- A) demand-pull inflation resulting solely from wage responses to excess labor demand.
- B) demand-pull inflation resulting from persistent increases in the quantity of money.
- C) cost-push inflation resulting solely from wage responses to excess labor demand.
- D) cost-push inflation resulting from persistent increases in the quantity of money.

Figure 10



40. The central bank in Taiwan buys \$100 million of government securities from Bank A. What is the effect on Bank A's balance sheet?

- A) Securities decrease by \$100 million and reserves increase by \$100 million.
- B) Securities decrease by \$100 million and deposits decrease by \$100 million.
- C) Securities increase by \$100 million and reserves decrease by \$100 million.
- D) Securities increase by \$100 million and reserves increase by \$100 million.

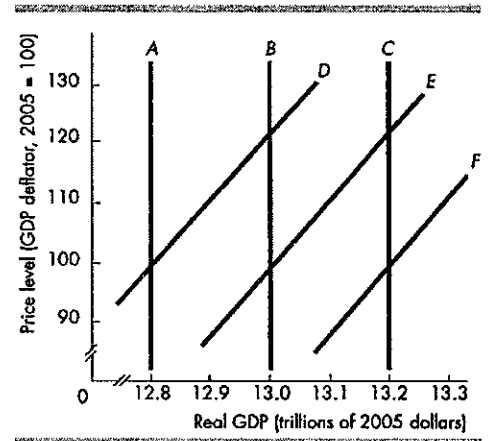
41. According to purchasing power parity, the foreign exchange market will

- A) undervalue the dollar if inflation in the United States is greater than it is elsewhere.
- B) no longer demand dollars if the inflation rate in the United States exceeds that of other nations.
- C) adjust the value of the exchange rate to reflect differing inflation rates between nations.
- D) result in a flow of dollars out of the United States whenever its rate of inflation is below that of other nations.

42. Epsilon is a country whose unit of currency is the omega. New information leads people to expect that the omega will appreciate next year. To keep the foreign exchange value of the omega fairly steady, the Bank of Epsilon will _____ enough omegas on the foreign exchange market so that the _____ omegas will _____.

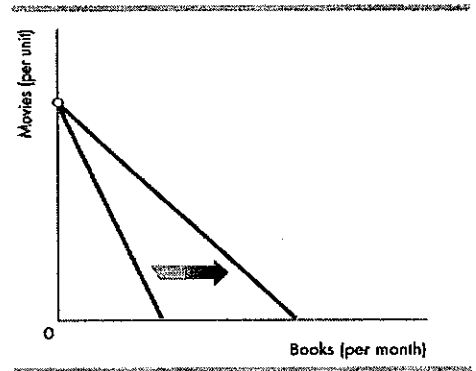
- A) buy; demand for; increase
- B) sell; supply of; increase
- C) buy; demand for; decrease
- D) buy; supply of; decrease

Figure 11



43. In Figure 11, *B* is the current long-run aggregate supply curve and *E* is the current short-run aggregate supply curve. Technological advances mean the long-run aggregate supply curve and short-run aggregate supply curve
- remain *B* and *E*.
 - shift to *A* and *D*, respectively.
 - shift to *C* and *F*, respectively.
 - shift to *C* and remain *E*, respectively.
44. If the economy is in long run equilibrium and aggregate demand increases, then in the short run
- nothing happens because the economy is in long run equilibrium.
 - the price level rises and real GDP does not change.
 - real GDP increases and the price level does not change.
 - the price level rises and real GDP increases.
45. Real GDP equals \$20 billion and aggregate planned expenditure is \$30 billion. There is an unplanned _____ in inventories of _____ and real GDP will _____.
- increase; \$10 billion; increase
 - increase; \$50 billion; decrease
 - decrease; \$10 billion; increase
 - decrease; \$10 billion; decrease
46. Suppose the country of Dingo experienced an economic trough in January 2011. We can conclude that
- real GDP in Dingo was increasing in January 2011.
 - an expansion occurred after January 2011.
 - Dingo did not experience a recession in 2010.
 - Dingo's potential GDP fell in 2011.
47. A rise in the expected inflation rate leads to _____ in the long-run Phillips curve and _____ in the short-run Phillips curve.
- an upward shift; no shift
 - a leftward shift; an upward shift
 - no shift; no shift
 - no shift; an upward shift

Figure 12



48. In Figure 12, the budget line would rotate in the direction indicated as a result of a
- A) rise in the price of a book.
 - B) fall in the price of a book.
 - C) rise in the price of a movie.
 - D) decrease in income.

49. The expenditure approach measures GDP by adding
- A) compensation of employees, rental income, corporate profits, net interest, and proprietors' income.
 - B) compensation of employees, rental income, corporate profits, net interest, proprietors' income, subsidies paid by the government, indirect taxes paid, and depreciation.
 - C) compensation of employees, rental income, corporate profits, net interest, proprietors' income, indirect taxes paid, and depreciation and subtracting subsidies paid by the government.
 - D) consumption expenditure, gross private domestic investment, net exports of goods and services, and government expenditure on goods and services.

50. Figure 13 shows the U.S. production function. From 1986 to 2008 the United States experienced major advances in technology as well as an increase in the working-age population. The combined effect can best be shown by a

- A) movement from point W to point X.
- B) movement from point Y to point Z.
- C) movement from point Y to point X.
- D) movement from point W to point Z.

Figure 13

