

Multiple Choice (Choose *the best answer* for each question,
2.5 points each)

On your answer sheet, please arrange your answers, according to the following format (請將答案務必依照下列格式，作答於答案卷上):

1. ()	6. ()	11. ()	16. ()	21. ()	26. ()	31. ()	36. ()
2. ()	7. ()	12. ()	17. ()	22. ()	27. ()	32. ()	37. ()
3. ()	8. ()	13. ()	18. ()	23. ()	28. ()	33. ()	38. ()
4. ()	9. ()	14. ()	19. ()	24. ()	29. ()	34. ()	39. ()
5. ()	10. ()	15. ()	20. ()	25. ()	30. ()	35. ()	40. ()

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- When the price of an inferior good falls, *ceteris paribus*, the substitution effect leads to ____ in the quantity purchased and the income effect leads to ____ in the quantity purchased.
 - an increase; an increase
 - an increase; a decrease
 - a decrease; an increase
 - a decrease; a decrease
 - When the consumer is at his or her best affordable consumption point, it is the case that the marginal rate of substitution is
 - greater than the price ratio.
 - equal to the price ratio.
 - less than the price ratio.
 - maximized.
 - Two events occur simultaneously in the market for automobiles; (1) an improvement in assembly line technology and (2) the economy begins a recession. An economist would predict with certainty that
 - equilibrium quantity will rise.
 - equilibrium quantity will fall.
 - equilibrium price will rise.
 - equilibrium price will fall.
 - the equilibrium price will remain the same.

(背面仍有題目,請繼續作答)

4. When the economy is operating at full employment, the natural rate of unemployment is greater than zero. This full employment level of unemployment consists of
- A) only cyclical unemployment.
 - B) only frictional and structural unemployment.
 - C) only frictional and cyclical unemployment.
 - D) only structural and cyclical unemployment.
5. An increase in the price level results in a
- A) downward shift in both the aggregate expenditure (*AE*) and aggregate demand (*AD*) curves.
 - B) downward shift in the *AE* curve and a movement up along the *AD* curve.
 - C) downward shift in the *AD* curve and a movement down along the *AE* curve.
 - D) leftward movement along both the *AE* and *AD* curves.
6. Two separate groups of people use New York City subways. One group uses them only during rush hour to travel to and from work. The other group uses them only in midday for leisure activity. If New York City wants to increase transit fares with the smallest possible reduction in revenue, for which group should it increase the fare?
- A) The rush-hour group, because its demand for subway service is more elastic than that of the midday group.
 - B) The rush-hour group, because its demand for subway services is less elastic than that of the midday group.
 - C) The midday group, because its demand for subway service is more elastic than that of the rush-hour group.
 - D) The midday group, because its demand for subway service is less elastic than that of the rush-hour group.
 - E) It doesn't matter, because both groups have the same elasticity of demand.
7. Automatic stabilization occurs
- A) because monetary policy is effective.
 - B) because taxes and transfer payments fluctuate with real GDP.
 - C) because government purchases fluctuate with real GDP.
 - D) when the Congress makes changes to transfer payment programs.

8. The quantity theory of money argues that, in the long run, the percentage change in money will equal the percentage change in
- A) velocity.
 - B) real GDP.
 - C) potential GDP.
 - D) the price level.
9. In one week, Mohammed can knit 5 sweaters or bake 240 cookies. In one week, Tetah can knit 15 sweaters or bake 480 cookies. In this example,
- A) Mohammed has the absolute and comparative advantage in both tasks.
 - B) Tetah has the absolute and comparative advantage in both tasks.
 - C) Mohammed has the absolute advantage in both tasks and the comparative advantage in knitting sweaters.
 - D) Tetah has the absolute advantage in both tasks and the comparative advantage in knitting sweaters.
 - E) Mohammed has the absolute advantage in both tasks and the comparative advantage in baking cookies.
10. If the expected future inflation rate decreases, then
- A) aggregate demand increases.
 - B) short-run aggregate supply increases.
 - C) aggregate demand decreases.
 - D) short-run aggregate supply decreases.
11. A major whisky manufacturer failed in its attempt to engage in price discrimination between students and all other consumers. What is a possible explanation for this failure?
- A) There was nothing to prevent the students from reselling the whisky to other consumers.
 - B) The whisky manufacturer produced in a perfectly competitive market.
 - C) The two groups of consumers probably have the same demand elasticity for whisky.
 - D) There is no low-cost way to distinguish students from other consumers.
 - E) Demand for whisky is probably inelastic.
12. If people's expected future incomes increase, the real interest rate ____ and the equilibrium quantity of investment ____.
- A) rises; increases
 - B) rises; decreases
 - C) falls; increases
 - D) falls; decreases

(背面仍有題目,請繼續作答)

13. In general, the lower the marginal tax rate, the
- A) higher is the level of autonomous expenditure.
 - B) flatter is the AD curve.
 - C) the larger the multiplier.
 - D) the smaller the multiplier.
14. In real business cycle theory, the impulse for a business cycle is
- A) changes in investment.
 - B) changes in the quantity of money.
 - C) unexpected changes in aggregate demand.
 - D) technological change.
15. An increase in the expected inflation rate leads to ____ the short-run Phillips curve.
- A) a movement upward along
 - B) a movement downward along
 - C) an upward shift of
 - D) a downward shift of
16. Real economic growth can decrease poverty because:
- A) it may decrease government transfers to the poor.
 - B) it may increase job training.
 - C) it may increase the number of jobs available to the poor.
 - D) it may increase the formal educational opportunities of the poor.
17. George spends all his income on sandwiches and juice. George's utility is maximized when he is consuming sandwiches and juice so that the
- A) marginal utility from sandwiches equals the marginal utility from juice.
 - B) total utility from sandwiches equals the total utility from juice.
 - C) marginal utility per dollar spent on sandwiches equals the marginal utility per dollar spent on juice.
 - D) marginal utility from sandwiches is at a maximum.
18. For a good to be nonrival, which of the following must be true?
- A) One person's consumption of that good does not decrease another person's consumption of that good.
 - B) A person cannot be prevented from consuming that good even if he or she did not pay for it.
 - C) A person is willing to pay any price to ensure that the product is available.
 - D) A person is not willing to pay for the good because even without paying for it, the person can consume the good anyway.

Item	Dollars
Net interest	239
Government purchases of goods and services	136
Compensation of employees	1,735
Rental income	37
Proprietors' income	128
Indirect taxes minus subsidies	259
Corporate profits	194
Exports of goods and services	249
Imports of goods and services	289
Depreciation	333

19. Using the data in the above table, gross domestic product as calculated by the income approach equals ____.
- A) \$2,333
 - B) \$2,592
 - C) \$2,925
 - D) \$2,205

Real GDP	<i>C</i>	<i>I</i>	<i>G</i>	<i>X</i>	<i>M</i>
100	75	25	95	10	1
200	150	25	95	10	2
300	225	25	95	10	3
400	300	25	95	10	4
500	375	25	95	10	5
600	450	25	95	10	6
700	525	25	95	10	7
800	600	25	95	10	8
900	675	25	95	10	9
1000	750	25	95	10	10

20. In the above table, *C* is consumption expenditure, *I* is investment, *G* is government purchases, *X* is exports, and *M* is imports. All entries are in dollars. What is the marginal propensity to consume?
- A) 0.20.
 - B) 0.25.
 - C) 0.75.
 - D) 0.80.

(背面仍有題目,請繼續作答)

21. Suppose Project A has an expected net revenue of \$110 million, and a cost of \$100 million. Suppose Project B has an expected net revenue of \$210 million, and a cost of \$200 million. Which of the following is true?
- A) You prefer Project A because it is cheaper.
 - B) You prefer Project B because it will earn more revenue.
 - C) You will choose Project A if the real interest rate is 7 percent.
 - D) You will choose Project B if the real interest rate is 7 percent.
22. An increase in the interest rate
- A) shifts the demand for money curve rightward.
 - B) shifts the demand for money curve leftward.
 - C) causes an upward movement along the demand for money curve.
 - D) causes a downward movement along the demand for money curve.
23. In the real world, demand is *not* likely to be perfectly inelastic at every price because
- A) no substitutes exist for some goods.
 - B) some consumers will be unable to afford very high prices with given incomes.
 - C) at low prices, consumers always want a lot.
 - D) consumers are willing to pay any price for certain goods.
 - E) the prices of certain goods don't change.
24. The motivating force behind an increase in supply in a long-run adjustment to equilibrium is
- A) lower prices.
 - B) economic profits that are present in the short run.
 - C) higher profit expectations among owners of firms in the industry, triggered by increased prices.
 - D) normal profits witnessed by individuals outside the industry that trigger entry.
 - E) the decreases in average cost that can be obtained through economies of scale.
25. Suppose that at an output of 1,000 units, a monopolist has marginal cost of \$40, marginal revenue of \$30, average variable cost of \$30, and average total cost of \$50. In order to maximize profit or minimize loss in the short run, the firm should
- A) shut down
 - B) continue to produce 1,000 units.
 - C) produce fewer than 1,000 units but still operate.
 - D) produce more than 1,000 units.
 - E) increase its plant size to gain economies of scale.

Exhibit 0157

Q	P	TC
1	\$27	\$10
2	24	17
3	21	25
4	18	40
5	15	60

26. At the profit-maximizing output, the monopolistically competitive firm in Exhibit 0157 is in
- long-run equilibrium because price equals average total cost.
 - long-run equilibrium because price is less than average total cost.
 - short-run equilibrium because price is greater than average total cost.
 - short-run equilibrium because there is an economic loss.
 - short-run equilibrium because there is zero economic profit.
27. The consumer price index (CPI) is 311.1 for 1994 when using 1967 as the base year (1967=100). Now suppose we switch and use 1994 as the base year (1994=100). What is the CPI for 1967 with the new base year?
- 56.2
 - 48.4
 - 20.2
 - 32.1
28. Watt Power & Light, an electric company, will experience a loss:
- even at its profit-maximizing output, because marginal cost is always less than average cost.
 - even at its profit-maximizing output, because average costs is always less than marginal cost.
 - if regulators insist that it produce where price equals marginal cost, because marginal cost is less than average cost.
 - if regulators insist that it produce where price equals marginal cost, because average cost is always less than marginal cost.
 - if regulators insist that it produce where price equals average cost, because average cost is always less than marginal cost.
29. If the market price of a new CD is \$10, but Jenny values the CD at \$20, Jenny
- will not buy the CD.
 - receives \$10 of producer surplus.
 - receives \$20 of consumer surplus.
 - None of the above answers is correct.

30. If real income rises 5%, prices rise 2%, and nominal money demand rises 6%, what is the income elasticity of real money demand?
- A) 4/5
 - B) 5/6
 - C) 3/4
 - D) 6/7
31. An increase in taxes (when Ricardian equivalence doesn't hold) causes the real interest rate to _____ and the price level to _____ in general equilibrium.
- A) fall; rise
 - B) fall; fall
 - C) rise; fall
 - D) rise; rise
32. "Last October, due to an early frost, the average price for a pumpkin increased by 10 percent compared to the average pumpkin price in previous Halloween seasons. As a result, the quantity demanded county-wide decreased from 2 million to 1.5 million." Based on this statement, the
- A) demand for pumpkins is elastic.
 - B) demand for pumpkins is inelastic.
 - C) demand for pumpkins is unit elastic.
 - D) demand curve for pumpkins shifted rightward.
33. The rate of return on a stock is the
- A) dividend expressed as a percentage of the stock price.
 - B) return on a stock divided by the number of shares outstanding.
 - C) return on a stock expressed as a percentage of the stock price.
 - D) dividends plus interest divided by net assets.
34. Keesha consumes only milkshakes and burgers. Once at her consumer equilibrium, what would happen if she changed her consumption by purchasing one more milkshake and one fewer burger?
- A) The marginal utility of a burger would decrease.
 - B) The marginal utility of a milkshake would increase.
 - C) The total utility from the consumption of both goods would decrease.
 - D) All of the above.

35. Many people argue against increasing the minimum wage because in their opinion the result would be increased unemployment. Which of the following best summarizes this argument?
- A) increase the supply of labor while decreasing the demand for labor.
 - B) decrease the supply of labor while increasing the demand for labor.
 - C) increase the quantity supplied of labor while decreasing the quantity demanded of labor.
 - D) decrease the quantity supplied of labor while increasing the quantity demanded of labor.
36. If an asset is expected have a life of 10 years and costs \$5,000, then the depreciation rate is
- A) 10 years.
 - B) 10% per year.
 - C) \$500 per year.
 - D) \$1,000 per year.
37. A country's consumption possibilities frontier can be outside its production possibilities frontier if
- A) additional resources become available.
 - B) there is an increase in the level of technology.
 - C) the country engages in trade.
 - D) All of the above are correct.
 - E) Both a and b are correct.
38. If a tax is imposed on the buyer of a product the demand curve would shift
- A) downward by the amount of the tax.
 - B) upward by the amount of the tax.
 - C) downward by less than the amount of the tax.
 - D) upward by more than the amount of the tax.
39. When evaluating the size of the deadweight loss due to a tax we know that the
- A) greater the elasticities of supply and demand, the greater the deadweight loss.
 - B) smaller the elasticities of supply and demand, the greater the deadweight loss.
 - C) smaller the decrease in both quantity demanded and quantity supplied, the greater the deadweight loss.
 - D) primary factor that determines the size of the deadweight loss in the percentage the tax is of price.

40. The formation of OPEC led to all of the following **except**
- A) decreased elasticity of demand for petroleum.
 - B) greater use of petroleum substitutes.
 - C) higher profits for members of OPEC.
 - D) reallocation of production levels among OPEC countries.
 - E) entry of non-OPEC countries into petroleum production.