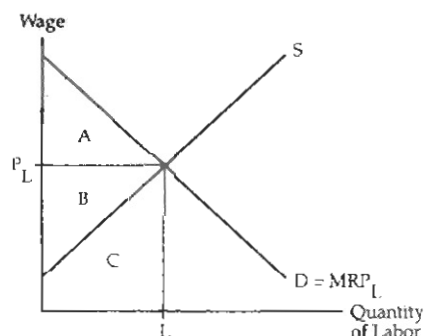


PART ONE (50%)

I. MULTIPLE CHOICE (20 points) (單選)

- Which of the following could decrease the equilibrium price but increase the equilibrium quantity of apples?
 - Higher wages are paid to the agricultural workers who harvest the apples.
 - More and more people are convinced that "an apple a day keeps the doctors away."
 - Many new apple orchards are planted.
 - An increase in the market supply of grapefruit.
- Kelly has received a \$50 check from her Grandparents to help with her expenses at college. She has narrowed her choices of how to spend the money to three: a new backpack, a dinner out with a friend, a fleece vest. Of these she likes the vest best and the backpack least. What is her cost of buying the fleece vest?
 - \$50.
 - A new backpack.
 - A dinner out with a friend.
 - Nothing since the money was a gift to her.
- Farmer Ken in Kentucky can raise either 80 pounds of tobacco or 40 bushels of cotton on an acre. Farmer Calvin in California can raise either 150 pounds of tobacco or 50 bushels of cotton on an acre. Which farmer has the comparative advantage in producing tobacco?
 - Farmer Ken in Kentucky.
 - Farmer Calvin in California.
 - The two farmers are equally efficient at growing wheat.
 - More information is needed to determine comparative advantage.
- When a consumer is impatient, his indifference curves for current (x-axis) and future (y-axis) consumption
 - are everywhere steeper than 45° .
 - must be straight lines.
 - are flatter than the budget line at the endowment point.
 - have absolute slopes greater than 1 along the 45° line.
- In the market for insurance, the adverse selection problem arises because
 - fair odds are different for different people, and the insurance company cannot tell who is who.
 - people tend to behave more recklessly when they are insured.
 - some events simultaneously affect a large number of people.
 - insurance companies must tilt the odds in their favor to cover their basic operating costs.
- Computer software is an example of a good that is
 - a pure private good.
 - nonexcludable, but not nonrivalrous.
 - both nonexcludable and nonrivalrous.
 - nonrivalrous, but not nonexcludable.



7. Refer to Labor Demand and Labor Supply above. What does area B represent?
- The rent earned by the industry's laborers.
 - The industry's total revenue.
 - The total wages paid to the industry's laborers.
 - The rent earned by the industry's capital.

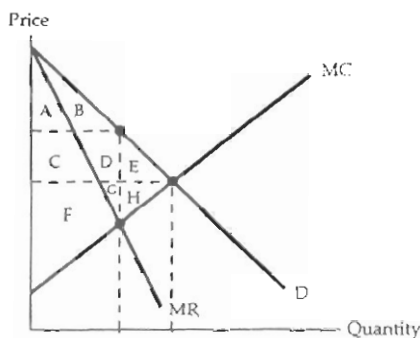
Game Matrix: Player A can play the strategies U and D , and Player B can play the strategies L and R .

		Player B's Strategies	
		L	R
Player A's Strategies	U	A gets 7 B gets 3	A gets 2 B gets 2
	D	A gets 9 B gets 1	A gets 6 B gets 4

8. Refer to Game Matrix above. The only outcome in this game that is *not* Pareto optimal is
- the upper left-hand corner.
 - the upper right-hand corner.
 - the lower left-hand corner.
 - the lower right-hand corner.
9. In what way is monopolistic competition superior to perfect competition?
- The cost of producing the industry's output is lower in monopolistic competition.
 - Consumers benefit from having differentiated products instead of identical products.
 - Long-run profits are higher in monopolistic competition than in pure competition.
 - In monopolistic competition, firms can fully exploit any existing economies of scale.
10. A firm is currently producing 200 units of output using 60 hours of labor and 80 hours of capital. The marginal product of labor is 12 units of output per hour, and the marginal product of capital is 15 units of output per hour. If the wage rate is \$6 per hour and the rental rate is \$3 per hour, then
- the firm's use of labor and capital is cost-efficient.
 - the firm should use more labor and less capital.
 - the firm should use more capital and less labor.
 - we cannot determine if the firm's use of inputs is efficient without more information.

II. SHORT ANSWER QUESTION (15 points)

1. The following questions refer to the accompanying market diagram.



- (1) What area represents the producer's surplus earned in the monopoly equilibrium? Area _____.
 - (2) The difference between producer's surplus as a monopolist and producer's surplus when setting price at what would exist in a competitive market is Area _____.
 - (3) Of the surplus that consumers lose because there is a monopoly (and not perfect competition), how much is lost to the monopoly itself? Area _____.
2. Suppose that the local utility regulators have recently approved an increase in the price of electricity from 10¢ per kilowatt-hour to 10.5¢ per kilowatt-hour. The long-run price elasticity of demand for electricity is estimated to be -1.2.
- (1) By how much will the quantity demanded of electricity drop in the long run because of this price increase? _____.
 - (2) When the price of electricity increases, by how much will consumers' total expenditures on electricity change in the long run? _____.

III. ESSAY (15 points)

1. Suppose the demand curve for a good is given by the equation $P = 200 - 1/2 Q$ and the supply curve is given by the equation $P = 50 + 1/4 Q$, where P represents the price of the good (measured in dollars per unit) and Q represents the quantity of the good (measured in units per week).
 - (1) Find the equilibrium price and quantity for this market.
 - (2) Suppose the government imposes a sales tax of \$9 per unit on this good. Find the new equilibrium quantity, the post-tax price received by suppliers, and the post-tax price paid by demanders.
 - (3) What fraction of the economic burden of this tax is borne by demanders and what fraction is borne by suppliers?

PART TWO (50%)

MACROECONOMICS

Multiple-choice questions (3 points each) (單選)

1. Economies of scale refer to
 - a. costs rising as the scale of production increases.
 - b. costs falling as the scale of production increases.
 - c. output rising as the level of inputs rises.
 - d. the marginal product of labor diminishes as the quantity of labor increases.
2. "Lender of last resort" means that the central bank
 - a. has to lend money to failing banks.
 - b. should lend money to individuals if their bankruptcy would threaten the banking system.
 - c. should lend money to banks that are suffering short-term liquidity shortages.
 - d. should lend money to pay for government deficits.
 - e. None of the above
3. Under a fixed exchange rate system, the central bank must
 - a. have an unlimited supply of domestic currency.
 - b. have a very large supply of foreign assets.
 - c. follow a constant money growth rule.
 - d. allow the money supply to adjust to keep interest rates and exchange rates unchanged.
4. Aggregate supply is upward sloping in the
 - a. new classical model.
 - b. classical model.
 - c. monetarist model.
 - d. real business cycle models.
 - e. both a and c.
5. Rational expectations imply
 - a. markets always clear.
 - b. that prices are "sticky"
 - c. policy that is unpredictable is irrelevant to economic outcomes.
 - d. both a and c.
 - e. None of the above.
6. The period between a business cycle peak and the subsequent trough is called
 - a. a recession.
 - b. a complete cycle.
 - c. an expansion.
 - d. a change in economic trend.
7. If commercial banks held checkable deposits of \$100,000, reserves of \$30,000, and the required reserve ratio is 20 percent, what is the maximum additional amount by which the banking system can expand the money supply?
 - a. \$20,000
 - b. \$30,000
 - c. \$50,000
 - d. \$60,000
 - e. -\$50,000

8. Historically, the most important cause of government budget deficits is
 - a. cutting taxes.
 - b. printing up too much money.
 - c. financing wars.
 - d. electing liberal politicians.
 - e. business cycles.

9. Steady-state growth refers to
 - a. intermediate-run periods.
 - b. long-run equilibrium growth.
 - c. output determination in the short run.
 - d. None of the above

10. The idea that hysteresis plays a role in macroeconomics implies that
 - a. monetary policy can have an effect on the natural rate of unemployment.
 - b. workers can overreact to changes in monetary policy.
 - c. stabilization policy is ineffective and counterproductive.
 - d. fiscal policy is ineffective and counterproductive.

Essay questions (10 points each)

1. Evaluate the pros and cons of issuing consumption vouchers in Taiwan. How does it compare to the U.S. economic stimulus tax refund? (10 points)

2. The Taiwan government is planning on signing an agreement with China, which is so called "ECFA". What does it mean by ECFA? Do you think Taiwan will surely gain from this agreement as claimed by President Ma? Will there be any costs involved? Discuss. (10 points)