Ⅰ．**Multiple Choice Questions (4 points each, total 80 points)**

1. Suppose Cournot duopolist firms operate with each having a cost of $30q_i$ (i = 1, 2) so that each firm's marginal cost is 30, where q_i is the output of firm i. The inverse market demand curve is $P = 120 - Q$ where $Q = q_1 + q_2$. At the Nash-Cournot equilibrium, the market price, P, is
(a) 30
(b) 45
(c) 60
(d) 90

2. A competitive market structure differs from the monopoly, oligopoly, and monopolistic competition structures in the
(a) producers' ability to set price.
(b) profit maximization condition.
(c) amount of long run profit.
(d) entry conditions.

3. Suppose a monopoly's inverse demand curve is $P = 100 - Q$, it produces a product with a constant marginal cost of 20, and it has no fixed costs. How much more or less is the deadweight loss if the monopoly can practice perfect price discrimination compared to it practicing uniform pricing?
(a) The deadweight loss is smaller by 800.
(b) The deadweight loss is greater by 800.
(c) The deadweight loss is smaller by 1600.
(d) The deadweight loss is greater by 1600.

4. Bob invests $50 in an investment that has a 50% chance of being worth $100 and a 50% chance of being worth $0. From this information we can conclude that Bob is NOT
(a) risk loving.
(b) risk neutral.
(c) risk averse.
(d) rational.

5. Joey cuts lawns during the summer. Let q equal the number of acres mowed per day, and let L equal the number of hours worked per day. Joey never works more than eight hours per day, and during that time his short-run production function is $q = 0.2 * L$. Which of the following

statements is FALSE?

(a) Joey's marginal productivity equals his average productivity.

(b) Joey's marginal productivity diminishes by 0.2 for each additional hour worked.

(c) Joey's average productivity is constant.

(d) Joey's marginal productivity is constant.

6. The Figure 1 shows a payoff matrix for two firms, A and B, that must choose between selling basic computers or advanced computers. Firm B's dominant strategy

(a) is to make basic computers.

(b) is to make advanced computers.

(c) is to adopt firm A's strategy.

(d) does not exist in this game.

Payoff Matrix
Firm B

	Advanced	Basic
Advanced	20 / 20	30 / 50
Basic	50 / 30	10 / 10

Firm A

Figure 1

7. The Figure 1 shows a payoff matrix for two firms, A and B, that must choose between selling basic computers or advanced computers. How many Nash equilibria are there?

(a) 0

(b) 1

(c) 2

(d) 4

8. The Figure 1 shows a payoff matrix for two firms, A and B, that must choose between selling basic computers or advanced computers. Which of the following is a Nash equilibrium?

(a) Both firms make advanced computers.

(b) Both firms make basic computers.

(c) Firm A makes basic computers and firm B makes advanced computers.

(d) There are no Nash equilibria.

9. The Figure 2 depicts the Edgeworth box for two individuals, Al and Bruce. Part of the contract curve can be found by connecting points

(a) a and b.

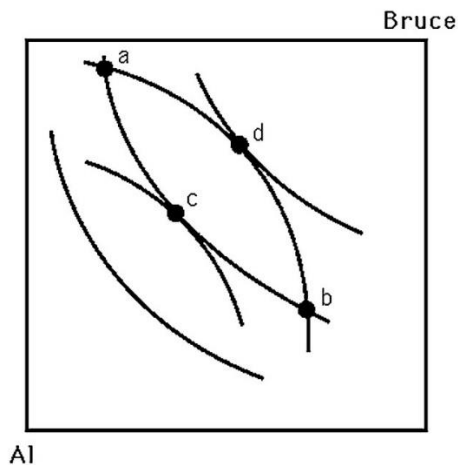(b) a and c.

(c) b and d.

(d) c and d.

Figure 2

10. The Figure 2 depicts the Edgeworth box for two individuals, Al and Bruce. If the endowment is at point a, and trade is possible, which of the following points are possible equilibria?

(a) a and b

(b) a and c

(c) b and d

(d) c and d

11. If the demand function for money is $M/P = 0.4Y - 200r$, then the slope of the LM curve is:

(a) 0.002

(b) 0.04

(c) 0.4

(d) 0.8

12. If the demand function for money is $M/P = 0.5Y - 100r$ and if M/P increases by 200, then the

    LM curve for any given interest rate shifts to the:
(a) left by 200
(b) right by 100
(c) right by 200
(d) right by 400

13. A given decrease in taxes shifts the *IS* curve more to the right:
(a) the smaller the government spending
(b) the larger the government spending
(c) the smaller the marginal propensity to consume
(d) the larger the marginal propensity to consume

14. If the nominal exchange rate falls 8 percent, the domestic price level rises 3 percent, and the foreign price level rises 2 percent, the real exchange rate will fall:
(a) 2 percent
(b) 5 percent
(c) 7 percent
(d) 10 percent

15. If the real exchange rate between the United States and Japan remains unchanged, and the inflation rate in the United States is 4 percent and the inflation rate in Japan is 2 percent, the:
(a) dollar will appreciate by 2 percent against the yen
(b) dollar will appreciate by 6 percent against the yen
(c) yen will appreciate by 2 percent against the dollar
(d) yen will appreciate by 6 percent against the dollar

16. A reduction in the demand for money will shift the_____ curve to the _____.
(a) aggregate demand; right
(b) aggregate demand; left
(c) aggregate supply; right
(d) aggregate supply; left

17. A favorable supply shock occurs when:
(a) the Fed decreases the money supply
(b) the Fed increases the money supply
(c) unions push wages up
(d) an oil cartel breaks up and oil prices fall

18. In the short run, a favorable supply shock causes:
(a) both prices and output to rise
(b) prices to fall and output to rise
(c) prices to rise and output to fall
(d) interest rates to rise and output to fall

19. If the rate of job separation is 0.01 and the rate of job finding is 0.09 but the current unemployment rate is 0.15, then the current unemployment rate is _____ the equilibrium rate, and in the next period it will _____ to move toward the equilibrium rate.
(a) above; increase
(b) above; decrease
(c) below; increase
(d) below; decrease

20. If all the economies of the European Union experience a recession, the United States experiences _____ and the IS curve _____.
(a) a positive aggregate demand shock; shifts right
(b) a negative aggregate demand shock; shifts left
(c) a positive aggregate supply shock; shifts left
(d) a negative aggregate supply shock; shifts right

Ⅱ. **Problem Solving and Essay Questions (total 20 points)**

1. At Albert's Pretzel Company, MPL = 1/L, and MPK = 1/K. The isoquant for 100 pounds of pretzels daily is shown in the Figure 3. Albert minimizes the cost of producing 100 pounds of pretzels daily by hiring 5 units of labor and 10 units of capital when w = 50 and r = 25. When r rises to 100, what is the minimum cost of producing 100 pounds of pretzels daily in the short run and long run?   (10 points)

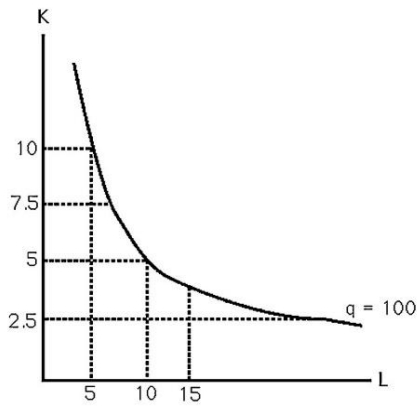科目：經濟學　　　　　　系所：金融管理學系
考試時間：100 分鐘　　　本科原始成績：100 分　　是否使用計算機：是

Figure 3

2.

(a)Use a graph to show the effect of an increase in government spending on output in the Keynesian-cross model. (4 points)

(b)Use a graph to show the effect of an increase in government spending on output in the *IS-LM* model. (4 points)

(c)Explain which effect is larger. (2 points)