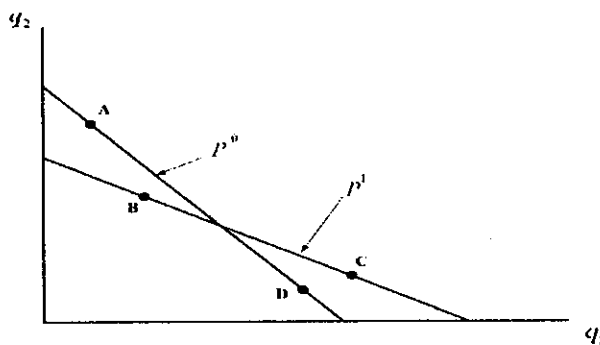


1. (10 points) Please briefly state the fundamental views toward the macroeconomic effects of monetary policy of the (New) Keynesian and (neo)classical schools. (5 points) Still, researchers exploit unexpected changes in interest rates to identify the effect of monetary policy and find an increase interest rate would lead to increase in the forecasts for output growth (Nakamura and Steinsson, 2018). Please provide an explanation for this finding. (5 points)

Reference: Nakamura, E., & Steinsson, J. (2018). High-frequency identification of monetary non-neutrality: the information effect. *The Quarterly Journal of Economics*, 133(3), 1283-1330.

2. (10 points) Please provide one explanation for why technological progress would increase income inequality (5 points); and, explain why income distribution would affect the effect of macroeconomic policies (e.g., tax rebate). (5 points)
3. (20 points) Suppose a nation wanted to enhance the ability of domestic industries to sell goods profitably in the world market but did not want to change the nation's aggregate income. Based on the Mundell-Fleming model, what combination of fiscal and monetary policies should the government implement? Please use graphs to identify the effects of each policy under fixed and floating exchange rate system.
4. (10 points) Use the IS-LM diagram to analyze the short-run effects of the following scenarios on the interest rate, income, consumption, and investment.
- The government decreases taxes (5 points)
 - The government decreases purchases and taxes by equal amounts. (5 points)
5. (20 points) The strong axiom of revealed preference states that "If the first bundle is revealed preferred to the second, either directly or indirectly, and the two bundles are different, then the second bundle cannot be directly or indirectly revealed preferred to the first." Suppose one consumer allocates the budget between two goods, q_1 and q_2 . In the diagram below, $q_{iA}(i=1,2)$ and $q_{iB}(i=1,2)$ are the two consumption bundles observed given $p_i^0(i=1,2)$ for the individual at time 0, whereas $q_{iC}(i=1,2)$ and $q_{iD}(i=1,2)$ are the two consumption bundles observed given $p_i^1(i=1,2)$ for the individual at time 1. Mathematically demonstrate if each of the observed consumption bundles at time 0 and 1, respectively, A and B, C and D, A and C, and B and D, violate SARP.



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6. (16 points) Consider three output levels, q_1 , q_2 and q_3 . Suppose that $K_i (i=1,2,3)$ is the firm's optimal use of the capital input to produce the three output levels.
- (1) Graphically explain why in the short run the firm is often forced to use non-optimal input bundle. (6 points)
 - (2) Use the isoquant map diagram for the three output levels to explain why long-run AC curve is the lower envelope of its short-run counterparts. (10 points)
7. (14 points) The cost of sesame will increase when new firms enter the sesame oil industry. Suppose after a media report on the use of imported and poor-in-quality sesame in domestic production of the sesame oil, the government imposes a price floor to maintain the market price of sesame oil at the level before the media report.
- (1) Compare the pre- and post-control surpluses to illustrate the short-run effect of price floor on consumer and producer surplus and the deadweight loss. (7 points)
 - (2) Compare the pre- and post-control surpluses to illustrate the long-run effect of price floor on consumer and producer surplus and the deadweight loss. (7 points)

試題隨卷繳回