考 試 科 目	經濟學	所 別	財務管理學系 4171	考 試 時 間	3 月 16 日 星期日	第 一 節

1. State whether the following are True (T) or False (F). Your answer **must** also **have** enough supporting explanation that is consistent with your choice.
    a) **(5 points)** Without the presence of speculative bubbles, the current price of the stock should be equal to the sum of the present value of its future dividend payments.
    b) **(5 points)** With freer capital mobility and less trade barriers, the workers in the rich countries will suffer lower real wage rates than before because of globalization.
    c) **(5 points)** Assuming that the economy is at the natural level of output, a tax-cut will boost the output in the long run.
    d) **(5 points)** The IS curve is downward slopping because higher output results in higher savings.
    e) **(5 points)** Hyperinflations distort prices, but they have no effect on real output.

2. Imagine you are playing a role as a member of Board of Governors of the *Federal Reserve System*, such that you have the right to attend the *Federal Open Market Committee* meeting to affect monetary policy by changing the federal funds rate (the policy tool you possess is to change the interest rates via the federal funds rate). During the March meeting, members discuss the following three issues:
    a. the prospect of an upcoming recession, if they are not already in one,
    b. the spiking oil price, and
    c. the liquidity shortage generated by the subprime mortgage crisis.
    a) **(15 points)** Please tell me what your suggestions are for solving each problem and why you think so.
    b) **(5 points)** At the mean time, European Central Bank and the Bank of Japan haven't touched rates since credit problems emerged last year. The Reserve Bank of Australia and Central Bank of Taiwan have been even raising rates. How will you predict the trend of exchange rate movements between U.S. dollar and the other currencies? Please explain your prediction with theories connecting to this problem.

3. Suppose that the market for textbooks in the National Chengchi University neighborhood is represented by the following market demand curve: $Q = 60 - P$
    a) **(8 points)** Further suppose that the University Bookstore is the only bookstore in the neighborhood (so that it is a monopolist) and that the total cost curve of the bookstore is represented by the following function: $C(Q) = (1/2) Q^2 + 100$. How many books will the bookstore choose to sell? What will be the price of those textbooks? What are the profits of the bookstore? Illustrate your answer in a diagram.
    b) **(8 points)** Suppose that a second bookstore may open across the street from the University Bookstore and that the new bookstore has an identical total cost curve. If the new bookstore decides to open then the next decision it makes will be how many books it would like to sell. Suppose that it can sell either 15 or 30 books. After observing the new bookstore's choice of quantity the University Bookstore must choose a quantity of books to sell and it can also choose either 15 or 30 books. The

備 考	試 題 隨 卷 繳 交

命 題 委 員 ： （簽章）2008 年 3 月 7 日

考 試 科 目	經濟學	所 別	財務管理學系	考 試 時 間	3 月 16 日 星期日	第 一 節

books they sell are identical and the prices are the same. If the University bookstore sells 30 books then will the new bookstore be able to earn positive profits? Can the University Bookstore credibly commit to selling 30 books? What will be the profits of the two firms in the backward induction solution?

c) **(4 points)** Finally suppose that before the new bookstore opens it must obtain a permit from the government. If the University Bookstore pays the government $200 to maintain its monopoly power then the new store will not be awarded a permit.   If the University Bookstore does not pay that $200 then the government will grant the new bookstore the permit.   Will the University Bookstore pay the $200 fee? If the government can only gather the "tax revenue" from this monopoly charter fee (no sales tax in this question), what is the highest amount they can possibly collect?

4. Susan is planning a trip to Paris and she has allocated $80 of her vacation budget to spend on entrance fees to museums and monuments. Her preferences over bundles of museum visits (x) and monument visits (y) can be represented by the utility function $U(x, y) = 4 \ln x + 0.5 y$. The price of admission to a museum is P_x and the price of admission to a monument is P_y.

   a) **(8 points)** Find Susan's demand functions for museum and monument visits.

   b) **(4 points)** Suppose that the price of admission to a museum is $10 and the price of admission to a monument is $5. What are Susan's demands for museum and monument visits? What is the (own price) elasticity of Susan's demand for museum visits at these prices?

   c) **(3 points)** Suppose that the price of admission to a museum falls to $8. What are Susan's demands for museum and monument visits?

   d) **(10 points)** Putting museum visits on the x-axis and monument visits on the y-axis, illustrate in an indifference curve diagram of Susan's optimal choice of museum and monument visits when the prices of each are $10 and $5 respectively.
   Illustrate in your diagram the effect of the decrease in the price of admission to museums (from $10 to $8) on her demands for museum and monument visits. Make sure to clearly indicate the **income** and **substitution** effects in your diagram for both activities. Which effect (the income or substitution) is larger on her demand for **museum** visits?

5. **(10 points)** The United States embargo against Cuba forbids imports of Cuban cigars into the country. American people can still get hold on those products through black market transactions, but they have to pay higher prices than European pay for the same products. With Fidel Castro stepped down last month, there is a chance that the U.S. might lift the long-lasting embargo in the future. If that happens, please predict how the prices of Cuban cigars will change in the U.S. and Europe, and how the wages of Cuban cigar workers will be affected. Please also write down the assumptions you use in the analysis explicitly.

備 考	試 題 隨 卷 繳 交

命 題 委 員 ：
（簽章）2008 年 3 月 7 日

命題紙使用說明：1. 試題將用原件印製，敬請使用黑色墨水正楷書寫或打字（紅色不能製版請勿使用）。
2. 書寫時請勿超出格外，以免印製不清。
3. 試題由郵寄遞者請以掛號寄出，以免遺失而示慎重。