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請勿在本試題紙上作答，否則不予計分

The section of multiple choices has 10 questions and each question is 5 points. The essay section has 3 questions and the points are listed at the end of each question. There are 100 points in total.

I. Multiple choices (50)

1. A free market fails:
 - a. when marginal benefits equal marginal costs.
 - b. whenever there is no government intervention.
 - c. when there is government intervention.
 - d. when there is an external effect in either production, consumption, or both.
 - e. when social benefits equals private benefits.
2. What are the three fundamental questions that any economy must answer?
 - a. What will be the prices of goods, what will be produced, and who gets them?
 - b. What will be produced, how will these goods be produced, and who gets them?
 - c. How much will be saved, what will be produced, and how can these goods be fairly distributed?
 - d. What will be the prices of goods, how will these goods be produced, and who gets them?
 - e. What's the income level of citizen, how is the general GDP in a nation, and what will be the prices of goods?
3. Which of the following goods is non-rival in consumption and excludable?
 - a. a tornado siren
 - b. an uncongested toll road
 - c. a home
 - d. the environment
 - e. free wireless services at airports
4. Mrs. Smith operates a business in a competitive market. The current market price is \$80. At her profit-maximizing level of production, the average variable cost is \$75, and the average total cost is \$82. Mrs. Smith should
 - a. shut down her business in the short run but continue to operate in the long run.
 - b. continue to operate in the short run but shut down in the long run.
 - c. continue to operate in both the short run and long run.
 - d. shut down in both the short run and long run.
 - e. wait and do nothing till the price gets better and make decision then.
5. How does a competitive market compare to a monopoly that engages in perfect price discrimination?
 - a. In both cases, total social welfare is the same.
 - b. Total social welfare is higher in the competitive market than with the perfectly price discriminating monopoly.
 - c. Total social welfare is higher in the perfectly price discriminating monopoly than the competitive market.
 - d. In both cases, some potentially mutually beneficial trades do not occur.
 - e. Consumer surplus is the same in both cases.

(背面仍有題目,請繼續作答)

系所組別：交通管理科學系甲、乙組

考試科目：經濟學

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6. Which of the following statements is correct?
- If duopolists successfully collude, then their combined output will be equal to the output that would be observed if the market were a monopoly.
 - Although the logic of self-interest decreases a duopoly's price below the monopoly price, it does not push the duopolists to reach the competitive price.
 - Although the logic of self-interest increases a duopoly's level of output above the monopoly level, it does not push the duopolists to reach the competitive level.
 - All of the above are correct.
 - All of the above are incorrect.
7. Which of the following causes the unemployment rate to understate the true condition of joblessness?
- Persons who collect unemployment benefits report themselves to be searching for a job.
 - Many full time workers really want to be part time workers.
 - Discouraged workers are not counted as unemployed.
 - Many prisoners are not included in the governmental statistics.
 - A drug dealer reports herself as unemployed.
8. A government budget deficit will shift the _____ curve for loanable funds to the _____ and the equilibrium real interest rate will _____.
- demand; right; rise
 - demand; left; fall
 - supply; right; fall
 - supply; left; rise
 - supply; left; fall
9. A decrease in real GDP can
- increase money demand and increase the interest rate.
 - decrease money demand and decrease the interest rate.
 - decrease money demand and increase the interest rate.
 - increase money demand and decrease the interest rate.
 - none of the above.
10. If households in the economy decide to take money out of checking accounts and put money into savings accounts this will
- not change M1 and increase M2.
 - decrease M1 and decrease M2.
 - not change M1 and not change M2.
 - decrease M1 and increase M2.
 - decrease M1 and not change M2.

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II. Essay question (50)

Q1. The hourly minimum wage of Taiwan is raised to NT\$109 in year 2013.

- a. The hourly minimum wage is not determined by the market mechanism but defined by the government. Such price control policy is referred as _____ in the economic discipline. (5)
- b. Using the minimum wage policy as an example, please explain what the impacts to the market are when such policy is implemented when comparing to the free market system. (12)
- c. Will you vote for or vote against the minimum wage policy? Please give three points with detailed explanations to support your decision. (12)

Q2. A policymaker is deciding how to finance the construction of a new subway system in Tainai. What are the short-run and long-run consequences if the policymaker decides to increase citizen's taxes vs. to print more money? (12)

Q3. Amy divides her income between coffee and tea, both of which are normal goods. An early frost in Columbia causes a large price increase of coffee in Taiwan.

- a. Draw a diagram to show the effect of the frost on Amy's budget constraint. (3)
- b. Draw a second diagram to show the effect of the frost on Amy's optimal consumption bundle assuming that the substitution effect outweighs the income effect for Tea. (3)
- c. Draw a third diagram to show the effect of the frost on Amy's optimal consumption bundle assuming that the income effect outweighs the substitution effect for Tea. (3)