

考試科目	經濟學	所別	財政學系	考試時間	2月27日(日)第三節
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1. State whether the following statement is true or false and explain graphically why you say so. (10 points)

“Using a Solow model, it is possible to show that the saving rate that achieves the maximal long-run GDP level also achieves the highest long-run consumption level.”

2. Chairman of US Federal Reserve, Ben Bernanke, announced a second round of quantitative easing measures, or QE2. This means the Fed will begin a new round of bond buying and keep interest rates low. How QE2 could affect US economy? (10 points) Will QE2 affect emerging markets? If so, in what way? Explain graphically. (10 points)
3. Suppose that a large open economy increases its government spending. Explain the following graphically.
- 1) What happens to the world interest rate? (5 points)
 - 2) What happens to investment in a small open economy? (5 points)
 - 3) Suppose originally this small open economy has a balanced trade. What happens to trade balance after the change in global saving? (5 points)
 - 4) What happens to the real exchange rate? (5 points)

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<p>4. Jason won \$ L in the government lottery. Jason's utility function for consumption goods per day (C) and hours of leisure per day (ℓ) is 10%</p> $U(C, \ell) = C + \ln \ell.$ <p>a. After winning the lottery, does Jason change his work hours each day? 5%</p> <p>b. What is the income effect of Jason's lottery gains on the amount of goods he buy per day? 5%</p> <p>5. Draw graphs to illustrate the <i>short run</i> and <i>long-run</i> tax incidence analysis of a unit tax for a constant-cost industry in a competitive market with identical firms. What are the differences of predictions between these two analyses? 15%</p> <p>6. Consider an industry of natural monopoly, 15%</p> <p>a. What could the government intervene to do with this kind of industry about the price setting? What are the potential problems associated with these direct price regulations? 10%</p> <p>b. How might the use of second-degree price discrimination help solve the inefficiency problem associated with a regulated monopolist? 5%</p>					
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<p>7. Suppose the management and the labor union of a firm are bargaining 10% over the share of the firm's product that will go to the two respective parties. The company charter specifies that management and labor must reach an agreement in three rounds of negotiation; otherwise, the dispute will be referred to the court—a long and costly process that both parties would prefer to avoid if possible.</p> <p>The negotiations occurs in the following pattern:</p> <ul style="list-style-type: none"> • In the first round, the management proposes. If the labor union refuses the management's proposal, it has to make a counterproposal in the second round. • If management refuses labor union's proposal, it has to make yet another proposal in the third and final round. • If the labor union refuses management's offer, the case is then refer to the court. <p>Suppose that the value of the firm's product is 1 in the first round and both parties discount future earnings by 5% each round; that is, the firm's product is worth 0.95 in the second round and 0.9025 in the third round. If an agreement is not reached in the third round, the value of firm's product becomes zero.</p> <p>a. Describe the outcome of the negotiation; that is, at what stage will the negotiation be conclude and with what shares accruing to the two parties? 6%</p> <p>b. What will the outcome be if the labor union makes the first proposal? 4%</p>					
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