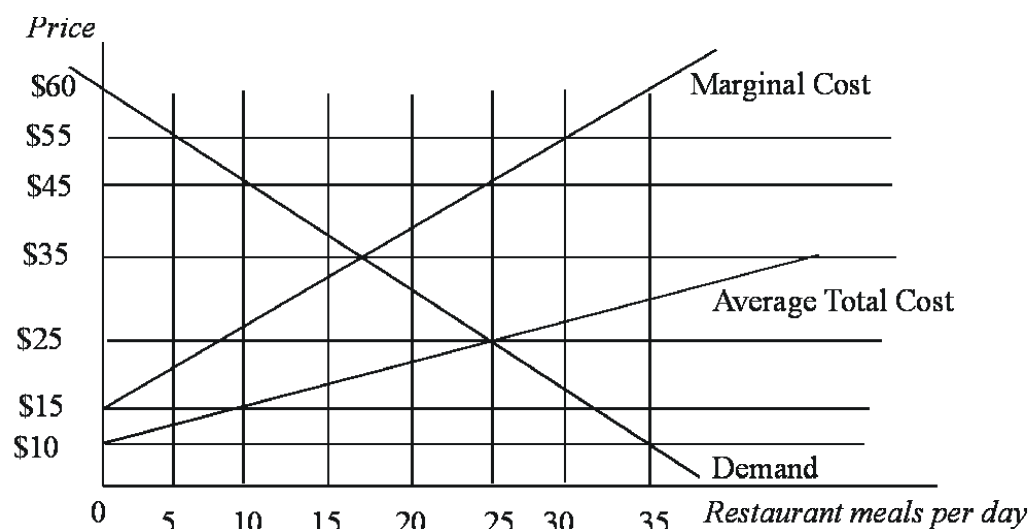


I. Choose the best answer (50 points, question 1-32 is 1.5 point, question 33 is 2 points)

1. When plotting marginal and average cost curves, the _____ cost curve always crosses the _____ cost curve at its _____.
- A. average variable; average total; minimum
 - B. marginal; average total; minimum
 - C. marginal; average variable; maximum
 - D. average variable; marginal; maximum
 - E. average variable; marginal; minimum

2. Which of the following is NOT true of a perfectly competitive firm?

- A. It faces a perfectly elastic demand curve.
- B. It is unable to influence the market price of the good it sells.
- C. It seeks to maximize revenue.
- D. Relative to the size of the market, the firm is small.
- E. The firm's only decision is how much output to produce.



3. Based on above figure, suppose a law is passed requiring restaurants to charge no more than \$25 per meal. This law would

- A. decrease both producer and consumer surplus by forcing restaurants to shut down.
- B. unambiguously increase consumer surplus and not change producer surplus.
- C. drive producer surplus to zero and maximize consumer surplus.
- D. unambiguously reduce producer surplus, but not force restaurants to shut down.
- E. not change the restaurants' output decisions.

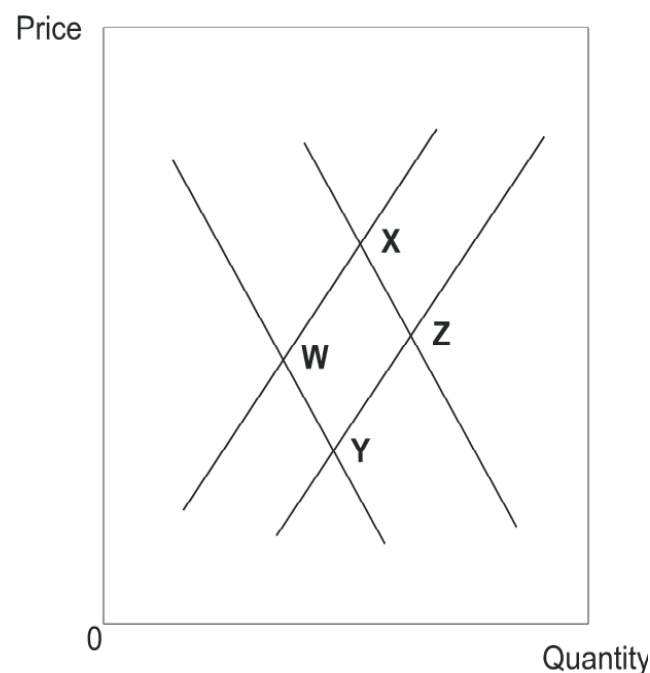
4. A movement along a demand curve from one price-quantity combination to another is called

- A. a change in quantity demanded.
- B. a shift in the demand curve.
- C. a change in demand.
- D. a change in quantity supplied.
- E. a change in supply.

請在答案紙上作答

共 8 頁 第 2 頁

5. An increase in the quantity demanded of tea occurs whenever
- the population of tea drinkers grows.
 - the price of coffee rises.
 - tea drinkers receive an increase in their incomes.
 - the price of lemons falls.
 - the price of the tea falls.
6. Suppose one could rent a car or take the train to go to Chicago from Washington, D.C. If the price of train tickets increases
- the demand for train tickets will increase.
 - the demand for rental cars will increase.
 - the demand for train tickets will decrease.
 - the demand for rental cars will decrease.
 - the quantity demanded of train tickets will increase.
7. A shift to either the left or right of a demand curve is called
- a change in quantity demanded.
 - a movement along a demand curve.
 - a change in demand.
 - a change in quantity supplied.
 - a change in supply.



8. Assume the market is originally at point W. Movement to point X is a combination of
- an increase in quantity supplied and an increase in demand.
 - an increase in supply and an increase in demand.
 - an increase in supply and an increase in quantity demanded.
 - a decrease in supply and an increase in quantity demanded.
 - an increase in supply and a decrease in quantity demanded.

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共 8 頁 第 3 頁

9. Assume the market is originally at point Z. Movement to point W is a combination of
- A. a decrease in quantity supplied and an increase in demand.
 - B. a decrease in supply and a decrease in demand.
 - C. an increase in supply and an increase in quantity demanded.
 - D. a decrease in quantity supplied and a decrease in demand.
 - E. a decrease in supply and a decrease in quantity demanded.
10. In the market for coffee, for some consumers
- A. tea is a substitute.
 - B. non-dairy creamer is a substitute.
 - C. cola beverages are complements.
 - D. coffee mugs are substitutes.
 - E. espresso is a complement
11. In the market for office workers
- A. there are no substitutes because each human is unique.
 - B. computers and desks are complements.
 - C. an increase in wages will increase the number of workers demanded.
 - D. changes in wages cannot affect the number of workers because each one is necessary.
 - E. a decrease in wages will shift the demand for workers to the left.
12. The demand curve illustrates the fact that consumers
- A. tend to purchase more of a good as its price rises.
 - B. purchase name brand products more frequently than generic products.
 - C. tend to purchase more of a good as its price falls.
 - D. purchase more of a good as their incomes fall.
 - E. purchase more of a good as their incomes rise.
13. Which of the following is NOT true of a demand curve?
- A. It has negative slope.
 - B. It shows the amount consumers are willing and able to purchase at various prices, holding other factors constant.
 - C. It relates the price of an item to the quantity demanded of that item.
 - D. It shows how an increase in price leads to an increase in quantity demanded of a good.
 - E. It shows that consumers tend to purchase less of a good as its price rises.
14. A demand curve is _____ sloping because _____.
- A. downward; of increasing opportunity costs.
 - B. upward; people prefer to purchase high quality consumer goods.
 - C. downward; reservation prices tend to fall over time.
 - D. upward; people are upwardly mobile.
 - E. downward; fewer people are willing to buy the item at higher prices.

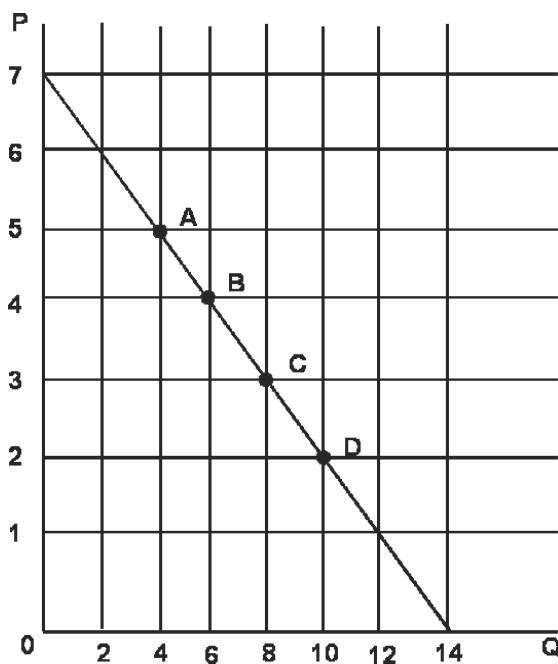
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共 8 頁 第 4 頁

15. Starting with column A, it appears that column B represents_____.

Price/Unit	Column A Units/year	Column B Units/year
\$20	100	110
\$30	85	95
\$40	70	80
\$50	55	65
\$60	40	50

- A. an increase in quantity demanded
- B. an increase in demand
- C. a decrease in quantity supplied
- D. an increase in quantity supplied
- E. a change in supply



16. Based on above figure, the price elasticity of demand at point D is

- A. 5/2.
- B. 1/2.
- C. 2/5.
- D. 2.
- E. 1/10.

17. At point D, demand is

- A. price inelastic.
- B. price elastic.
- C. unitary elastic.
- D. perfectly price elastic.
- E. perfectly price inelastic.

請在答案紙上作答

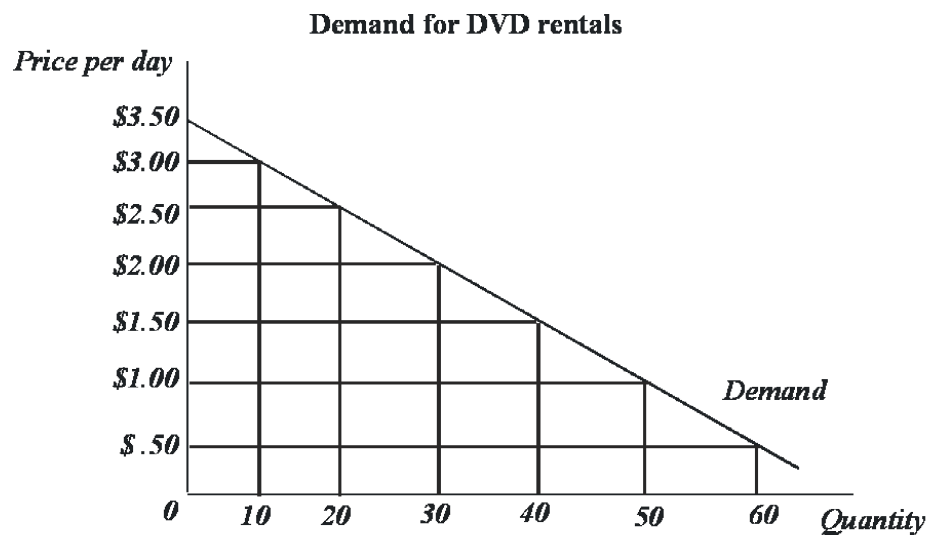
共 8 頁 第 5 頁

18. If the consumers can easily switch to a close substitute when the price of a good increases, demand for that good is likely to be
- A. elastic.
 - B. inelastic.
 - C. unitary elastic.
 - D. perfectly inelastic.
 - E. none of the above.
19. The company that owns all of the vending machines on your campus has doubled the price of a can of soda. They notice that they are selling approximately 25% fewer sodas. Price elasticity of demand for sodas from the campus vending machines is
- A. Inelastic.
 - B. Unitary elastic.
 - C. Elastic.
 - D. Infinite.
 - E. Zero.
20. Generally speaking, demand for a good will be more inelastic
- A. if few substitutes exist.
 - B. when the good represents a large share of the consumer's budget.
 - C. in the long run.
 - D. when many substitutes exist.
 - E. if the price change is great.
21. Satellite TV is a close substitute for cable TV. In the 1990's small satellite TV units were developed that made it more practical for individual consumers to subscribe to Satellite TV service. This caused the price elasticity of demand for cable TV service to
- A. become more inelastic.
 - B. become less elastic.
 - C. become more elastic.
 - D. become smaller in absolute value.
 - E. shift to the left.
22. Demand tends to be _____ in the short run than in the long run.
- A. more elastic
 - B. more inelastic
 - C. more volatile
 - D. less important
 - E. None of the above

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共 8 頁 第 6 頁

23. In 1985 a desert community stopped pumping from a 1000 foot well because it had run dry. In 2005 the price of water doubled. The community then drilled the well deeper and started pumping again. In this community,
- A. the supply of water is perfectly inelastic because it is a finite resource.
 - B. water production faces increasing opportunity costs.
 - C. markets cannot reach equilibrium because there is a persistent shortage of water.
 - D. the quantity supplied of water is greater than the quantity demanded.
 - E. higher water prices can reduce quantity demanded, but cannot increase quantity supplied.



24. Based on above figure, if the price increases from \$2.00 to \$2.50,
- A. total revenue would increase.
 - B. total revenue would stay the same.
 - C. total revenue would decrease.
 - D. the change in total revenue, if any, would depend on the supply curve.
 - E. total revenue would fall to less than total expenditures.
25. To increase total revenues, firms with _____ demand should lower price and firms with _____ demand should increase price.
- A. elastic; elastic
 - B. elastic; inelastic
 - C. inelastic; elastic
 - D. inelastic; inelastic
 - E. elastic; unitary elastic
26. The correct mathematical statement of the price elasticity of demand is
- A. $(\Delta P/P)/(\Delta Q/Q)$.
 - B. $(\Delta Q/Q)/(\Delta P/P)$.
 - C. $\Delta P/\Delta Q$.
 - D. $\Delta Q/\Delta P$.
 - E. $(\Delta P/P)/\Delta Q$.

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共 8 頁 第 7 頁

27. If the elasticity of demand for the latest American Idol CD is 1.4, this means
- A. few substitutes exist.
 - B. a 1% increase in the price leads to a 14% reduction in quantity demanded.
 - C. a 10% decrease in the price leads to a 140% increase in quantity demanded.
 - D. a 5% increase in the price leads to a 7% decrease in quantity demanded.
 - E. a 5% increase in the price leads to a 7% increase in quantity demanded.
28. If the quantity demanded of a good is Q when the price for the good is P , the price elasticity of demand for that good at that point is
- A. $(P/Q) \cdot (1/\text{slope})$
 - B. $(Q/P) \cdot (1/\text{slope})$
 - C. $(\Delta P/\Delta Q) \cdot (\text{slope})$
 - D. $(\Delta Q/\Delta P) \cdot (\text{slope})$
 - E. none of the above
29. The price elasticity of demand for water is higher in the summer than in the winter. Why?
- A. Winter is longer than summer, and price elasticity is lower over longer time horizons.
 - B. Winter is longer than summer, and price elasticity is higher over longer time horizons.
 - C. Winter water use tends to be for necessities like cleaning and cooking, and summer water use tends to be for non-necessities, like gardening and recreation.
 - D. People are more likely to take vacations in the summer, and so use less water at home.
 - E. People take more showers in the summer because it is hotter.
30. Which one of the following goods or services should have the **lowest** price elasticity of demand based on the share of income devoted to the good or service?
- A. Owning a home
 - B. Renting an apartment
 - C. A new car
 - D. Dining at a restaurant
 - E. Toothpicks
31. A shortage occurs when
- A. demand is greater than supply.
 - B. the equilibrium price is too high.
 - C. quantity demanded exceeds quantity supplied.
 - D. quantity supplied exceeds quantity demanded.
 - E. price is above the equilibrium.
32. If the market for Sport Utility Vehicles has excess supply, then one can say that
- A. supply is greater than demand.
 - B. quantity supplied is greater than quantity demanded.
 - C. demand is greater than supply.
 - D. supply is greater than quantity demanded.
 - E. quantity demanded is greater than quantity supplied.

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共 8 頁 第 8 頁

33. Assume that column A and column B are the initial demand and supply curves. At a price of \$50, the market would experience

Price/ Unit	Column A Units/year	Column B Units/year
\$20	110	40
\$30	95	50
\$40	80	60
\$50	65	70
\$60	50	80

- A. an equilibrium.
- B. excess demand of 5 units
- C. excess supply of 70 units.
- D. excess demand of 65 units.
- E. excess supply of 5 units.

II. Stephen and David are the only consumers of a good, the marginal cost of which is constant at 3.

Stephen's demand curve is $P_s = 6 - 0.5Q$ and David's demand curve is $P_d = 12 - Q$. Show graphically and verbally the socially optimal output level if the good is a public good. (25 points)

III. In the *IS-LM* framework, discuss verbally and graphically the interest elasticity of speculative demand for money and fiscal policy effects. (25 points)