1. The major cause of rising wages in service industries is
   a. growth in efficiency in service industries.
   b. technological improvements in service industries.
   c. growth in efficiency in manufacturing industries.
   d. growth in unionization in service industries.
   e. increased productivity of workers in service industries.

2. Economic theory is a necessity, not a luxury. This statement is true because theory
   a. always leads to practical and useful policy.
   b. can prevent depressions in the economy.
   c. substitutes for vast amounts of data.
   d. provides a structure for organizing and analyzing data.
   e. always leads to accurate predictions.

3. The production possibilities curve illustrates the basic principle that
   a. an economy's capacity to produce increases in proportion to its population.
   b. if all resources of an economy are in use, more of one good can be produced only if less of another is produced.
   c. an economy will automatically seek that output at which all of its resources are employed.
   d. no opportunity cost exists in production.

4. According to the law of comparative advantage, a doctor who is also a talented auto mechanic should
   a. get a part-time job at a gas station.
   b. do her own auto repairs and those of her neighbors.
   c. hire a professional mechanic to repair her car.
   d. only repair the cars of other doctors.

5. If the demand for steak shifts to the right, the most likely explanation is that
   a. the price of cattle feed has fallen.
   b. consumer income has risen.
   c. the price of steak has fallen.
   d. cattle production has fallen.

6. Pork can be used to produce bacon or sausage, but not both. If the price of bacon rises for some reason, then, everything else equal,
   a. the price of sausage will rise.
   b. the price of sausage will fall.
   c. the resources used in raising Porky will become more expensive.
   d. the resources used in raising Porky will become less expensive.

7. Are markets always in equilibrium?
   a. Yes, they are always at the equilibrium point, or very close to it.
   b. Yes, because so few things tend to alter supply and demand.
   c. No, but if there is no interference, they tend to move toward equilibrium.
   d. No, they never "settle down" into a stable price and quantity.
   e. Uncertain, economic theory has no answer to this question.

8. An increase in a family's income will cause its budget line to
   a. become steeper.
   b. become flatter (less steep).
   c. move closer to the origin.
   d. move away from the origin.
   e. become more convex toward the origin.
9. The term "unit elasticity" is used to describe a situation in which a rise in price is
   a. accompanied by a fall in total expenditure.
   b. accompanied by a rise in total expenditure.
   c. accompanied by constant total expenditure.
   d. accompanied by a unit decrease in total expenditure.

10. The demand for a new effective drug for the cure of AIDS would most likely be
    a. elastic.
    b. unit elastic.
    c. perfectly elastic.
    d. highly inelastic.

11. A production function provides
    a. technological information on how output varies with changes in inputs.
    b. all the information necessary to minimize costs.
    c. only financial information.
    d. information on input and product prices and how they change when production changes.

12. If $MC > MR$,
    a. output should be reduced.
    b. marginal profit is positive.
    c. there are losses.
    d. the total profit curve has yet to peak.

13. The short-run supply curve of the competitive industry
    a. is found by summing the AC curves of the individual firms in the industry.
    b. is found by summing the AVC curves of the individual firms in the industry.
    c. is found by summing the MC curves above AVC of the individual firms in the industry.
    d. There is no short-run supply curve in a competitive industry.

14. An increase in demand will cause an increase in industry output in the long run because
    a. new firms enter the industry.
    b. new firms enter the industry and all firms increase their output.
    c. all firms decrease their output but more new firms enter.
    d. no firms enter but the existing firms increase their output.

15. It is not true in the long run of monopolies that
    a. other firms seeking positive economic profit enter the market.
    b. they earn positive economic profit.
    c. they sell their output at a price greater than marginal cost.
    d. they benefit from barriers to entry.

16. At any given airport, the airlines hold long-term leases for passenger loading gates. New gates cannot be added without
    approval of the airlines. Frequent flier programs are also common in the industry. It is, therefore, more difficult for a new
    airline to enter a given airport (market). Such factors: (i) are called barriers to entry; (ii) tend to decrease the contestability
    of the air travel market.
    a. i and ii
    b. i not ii
    c. ii not i
    d. neither i nor ii

17. The derived demand and, consequently, the demand curve for labor are determined by
    a. labor's wage.
    b. labor's marginal revenue.
    c. the marginal cost of the input labor.
    d. labor's marginal revenue product.
18. The optimal level of pollution is achieved when the
   a. marginal social benefits from decreased pollution are equal to its marginal social costs of reducing pollution.
   b. level of pollution is zero.
   c. pollution abatement exceeds the pollution level.
   d. benefits from further pollution abatement are zero.

19. A country has an absolute advantage over another in the production of widgets if
   a. it can produce widgets using smaller quantities of resources than can the other country.
   b. it can produce more widgets than can the other country.
   c. it can produce widgets more efficiently than can the other country.
   d. it can produce widgets at a lower opportunity cost than can the other country.

20. The clearest sign of a recession is
   a. an increase in nominal GDP.
   b. a decrease in the level of real GDP.
   c. a decrease in the level of nominal GDP.
   d. an increase in nominal GDP.

21. The use of automated teller machines (ATMs) has caused some bank tellers to lose their jobs. This is an example of
   a. cyclical unemployment.
   b. seasonal unemployment.
   c. frictional unemployment.
   d. structural unemployment.

22. An increase in disposable income will
   a. lead to an upward movement along the consumption function.
   b. lead to a downward movement along the consumption function.
   c. shift the consumption function upward.
   d. shift the consumption function downward.

23. If inventory levels are decreasing, then we should expect
   a. business firms to decrease prices.
   b. business firms to decrease output.
   c. business firms to lay off workers.
   d. business firms to increase output.

24. According to the paradox of thrift, an increase in the saving rate will lead to a decline in total saving only if
   a. interest rates are constant.
   b. there is induced investment.
   c. investment is constant.
   d. the investment function has a negative slope.

25. Many economists are in favor of increased immigration of adult foreigners who possess high levels of skills and education.
   Why?
   a. Economists are very caring individuals.
   b. Economists believe this is a way to increase understanding among different ethnic groups.
   c. Economists believe foreigners will work cheaper.
   d. Economists believe this will increase aggregate supply.

26. The reason why inflation reduces the value of the multiplier is that
   a. part of the change in demand is absorbed by price changes.
   b. part of the change in demand is saved rather than spent.
   c. part of the change in demand is matched by changes in supply.
   d. part of the change in demand is matched by changes in income.
27. In an effort to balance the budget, the government will cut spending rather than increasing taxes. What will happen to the consumption schedule?
   a. It will become steeper.
   b. It will become flatter.
   c. It will shift upward.
   d. It will shift downward.
   e. It will remain the same and the economy will move along it.

28. Are "smart cards" or stored-value cards part of the money supply?
   a. Yes, because they can be given away to make a payment.
   b. Yes, because they will soon completely replace cash.
   c. No, because they are not issued by banks.
   d. No, because they are merely means to transfer checking deposits.

29. The banking system receives a new cash deposit of $250,000. Total deposits eventually rise by $1 million. The value of the reserve ratio is
   a. 25.
   b. 4.
   c. 0.50.
   d. 0.25.
   e. 0.20.

30. Banks will hold additional excess reserves when
   a. loans to customers look safe and interest rates are high.
   b. they anticipate a bank audit.
   c. loans to customers look risky and interest rates are low.
   d. the economy is booming and there is a large demand for loans.

31. Which of the following will make the aggregate demand curve steeper?
   a. an increase in investment spending
   b. a decrease in the sensitivity of investment to the interest rate
   c. an increase in the sensitivity of investment to the interest rate
   d. an increase in government spending

32. Under a balanced budget policy, a sharp rise in GDP will cause
   a. no serious budget changes.
   b. a tax cut or increase in expenditures.
   c. a tax increase or expenditure cut.
   d. tax receipts to exceed government expenditures.

33. If actual inflation differs from expected inflation, what is the slope of the AS curve?
   a. It is horizontal in the short and long run.
   b. It is vertical in the short and long run.
   c. It is vertical in the short run and upward sloping in the long run.
   d. It is upward sloping in the short run and vertical in the long run.

34. If gold and the dollar are substitutes, a cut in the Japanese discount rate can be expected to
   a. appreciate the dollar and decrease the price of gold.
   b. depreciate the dollar and increase the price of gold.
   c. depreciate the dollar and decrease the price of gold.
   d. appreciate the dollar and increase the price of gold.

35. If the United States increased its budget deficit, and it is at or near full employment, the most likely effect is to
   a. crowd in investment and crowd out net exports.
   b. crowd out investment and crowd in net exports.
   c. crowd in investment and crowd in net exports.
   d. crowd out investment and crowd out net exports.

二、論述題，合計30分。
1. 今年元月一日台灣正式成為世界貿易組織一員後，你所了解的經濟變化影響有哪些？（15分）
2. 在經濟學分析中，我們通常假定市場為完全競爭。但是實際的世界卻不是按照分析的結果在運作，我們稱之「市場失靈（market failure)」。試舉出並說明市場失靈的原因。（15分）