

Economics II Final Exam 2021/06/25

考試範圍：課本 Ch26, 27, 31, 32, 33, 34, 35。請於 2021/06/25，17:00 前將答案卷(pdf 檔)上傳到 iLMS 期末考區，不接受遲交。考題 30 題，總分 100 分，錯 1 題扣 3 分。

答案卷：姓名：_____，系所年級：_____，學號：_____

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期末考試題:

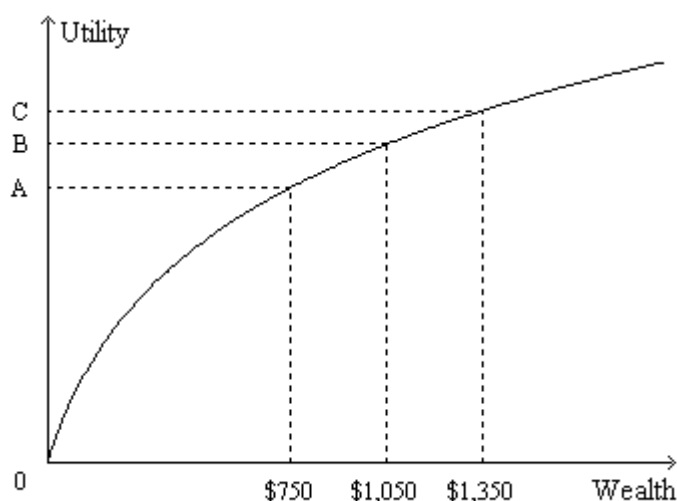
1. Which of the following statements about the term of a bond is correct?
 - a. Term refers to the various characteristics of a bond, including its interest rate and tax treatment.
 - b. The term of a bond is determined entirely by its credit risk.
 - c. The term of a bond is determined entirely by how much sales charge the buyer of the bond pays when he or she purchases the bond.
 - d. Interest rates on long-term bonds are usually higher than interest rates on short-term bonds.

2. Valeria is a closed economy, where consumption totals \$3 billion, tax payments are \$300 million, government spending is \$1 billion, and GDP is \$5 billion. Private saving amounts to
 - a. \$1.7 billion and Valeria's government runs a budget deficit.
 - b. \$1.7 billion and Valeria's government runs a budget surplus.
 - c. \$1 billion and Valeria's government runs a budget deficit.
 - d. \$1 billion and Valeria's government runs a budget surplus

3. If the inflation rate is 2 percent and the real interest rate is 7 percent, then the nominal interest rate is
 - a. 3.5 percent.
 - b. 5 percent.
 - c. 9 percent
 - d. 7 percent.

4. Suppose you put \$500 into a bank account today. Interest is paid annually and the annual interest rate is 3 percent. The future value of the \$500 after 1 year is
 - a. \$485.44.
 - b. \$496.50.
 - c. \$509.28.
 - d. \$515.00.

5. The figure shows a utility function.



Suppose Britney begins with \$1,050 in wealth. Starting from there,

- she would be willing to accept a coin-flip bet that would result in her winning \$300 if the result was “heads” or losing \$300 if the result was “tails.”
- the pain of losing \$300 of her wealth would equal the pleasure of adding \$300 to her wealth.
- the pain of losing \$300 of her wealth would exceed the pleasure of adding \$300 to her wealth.
- the pleasure of adding \$300 to her wealth would exceed the pain of losing \$300 of her wealth.

6. The problem of moral hazard arises because

- life is full of all sorts of risks.
- after people buy insurance, they have less incentive to be careful about their risky behavior.
- a high-risk person is more likely to apply for insurance than is a low-risk person.
- insurance companies go to great effort to avoid paying claims to their policy holders.

7. Which of the following is a source of market risk?

- Holding stocks in many companies carries the risk of a reduced average return.
- Real GDP varies over time and sales and profits move with real GDP.
- When a paper producer has declining sales, it is likely that so will other paper producers.
- If stockholders become aggravated with the way a CEO runs a company, the price of that company’s stock might fall in the stock market.

8. Which of the following is correct? Inflation

- impedes financial markets in their role of allocating resources.
- reduces the purchasing power of the average consumer.
- generally increases after-tax real interest rates.
- is most costly when anticipated.

9. In the long run, money demand and money supply determine

- a. the price level and the real interest rate.
- b. the price level but not the real interest rate.
- c. the real interest rate but not the price level.
- d. neither the price level nor the real interest rate.

10. If the economy unexpectedly went from inflation to deflation,

- a. both debtors and creditors would have reduced real wealth.
- b. both debtors and creditors would have increased real wealth.
- c. debtors would gain at the expense of creditors.
- d. creditors would gain at the expense of debtors.

11. Suppose that U.S. citizens purchase more cars made in Korea, and Koreans purchase more bonds issued by U.S. corporations. Other things the same, these actions

- a. raise both U.S. net exports and U.S. net capital outflows.
- b. raise U.S. net exports and lower U.S. net capital outflows.
- c. lower both U.S. net exports and U.S. net capital outflows.
- d. lower U.S. net exports and raise U.S. net capital outflows.

12. Other things the same, the real exchange rate between U.S. and Belgian goods would be higher if

- a. prices in the U.S. were higher, or the number of euro the dollar purchased were higher.
- b. prices in the U.S. were higher, or the number of euro the dollar purchased were lower.
- c. prices in the U.S. were lower, or the number of euro the dollar purchased were higher.
- d. prices in the U.S. were lower, or the number of euro the dollar purchased were lower.

13. If purchasing-power parity holds, then the value of the

- a. nominal exchange rate is equal to one. A dollar buys as many goods in the U.S. as it does overseas.
- b. nominal exchange rate is equal to one. A dollar buys the quantity of foreign currency equal to the U.S. price level divided by the foreign country's price level.
- c. real exchange rate is equal to one. A dollar buys as many goods in the U.S. as it does overseas.
- d. real exchange rate is equal to one. A dollar buys the quantity of foreign currency equal to the U.S. price level divided by the foreign country's price level.

14. In the open-economy macroeconomic model, the market for loanable funds identity can be written as

- a. $S = I$
- b. $S = NCO$

- c. $S = I + NCO$
- d. $S + I = NCO$

15. A U.S. bank wants to buy euros in order to buy German bonds. In the open-economy macroeconomic model, this transaction would be part of

- a. the supply of currency in the foreign exchange market, and part of the supply of loanable funds.
- b. the demand for currency in the foreign exchange market, and part of the supply of loanable funds.
- c. the supply of currency in the foreign exchange market, and part of the demand for loanable funds.
- d. the demand for currency in the foreign exchange market, and part of the demand for loanable funds.

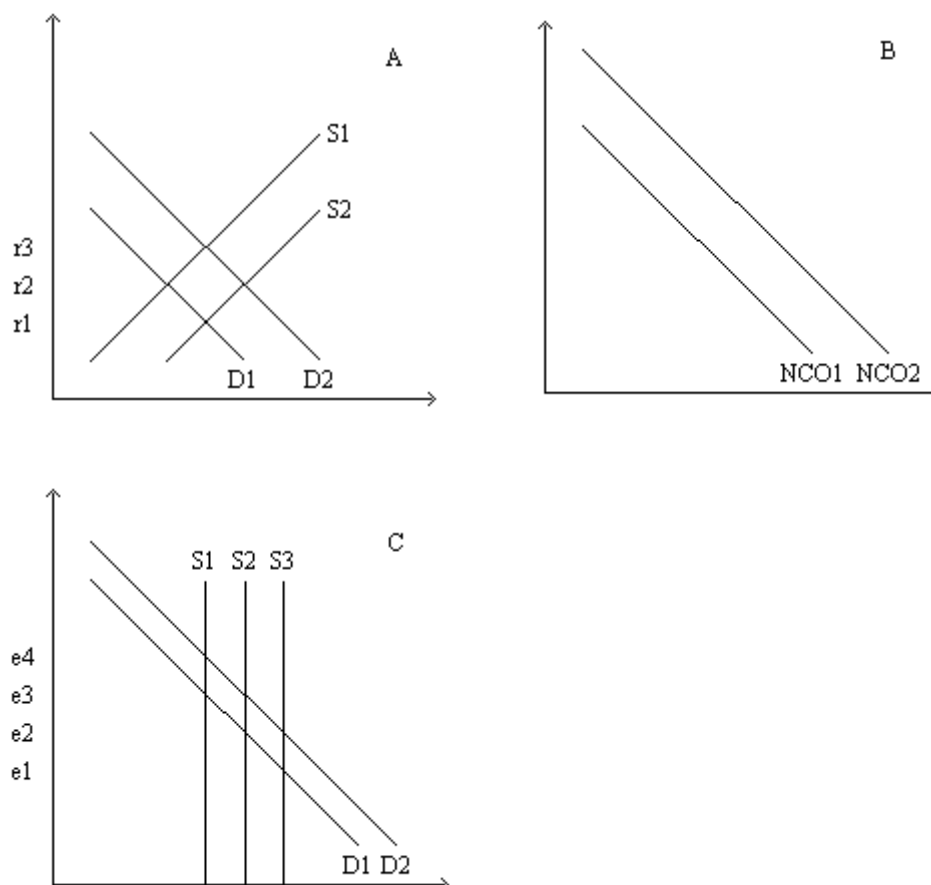
16. Other things the same, which of the following would cause the exchange rate to rise?

- a. both an increase in the interest rate and an increase in foreign demand for U.S. goods and services.
- b. an increase in the interest rate, but not an increase in foreign demand for U.S. goods and services.
- c. an increase in foreign demand for U.S. goods and service, but not an increase in the U.S. interest rate.
- d. neither an increase in the U.S. interest rate nor an increase in the demand for U.S. goods and services.

17. If the government of a country with a zero trade balances increases its budget deficit, then interest rates

- a. rise and the trade balance moves to a surplus.
- b. rise and the trade balance moves to a deficit.
- c. fall and the trade balance moves to a surplus.
- d. fall and the trade balance moves to a deficit.

18. Refer to this diagram of the open-economy macroeconomic model of the Mexican economy to answer the questions below.



Suppose that the Mexican economy starts at $r2$ and $e3$. Which of the following is consistent with the effects of capital flight?

- a shift from $D2$ to $D1$ in Panel A
- a shift from $NCO1$ to $NCO2$ in Panel B
- a shift from $D2$ to $D1$ in Panel C
- All of the above shifts are consistent with the effects of capital flight.

19. According to classical macroeconomic theory, changes in the money supply affect

- nominal variables and real variables.
- nominal variables, but not real variables.
- real variables, but not nominal variables.
- neither nominal nor real variables.

20. The sticky-wage theory of the short-run aggregate supply curve says that when the price level is lower than expected,

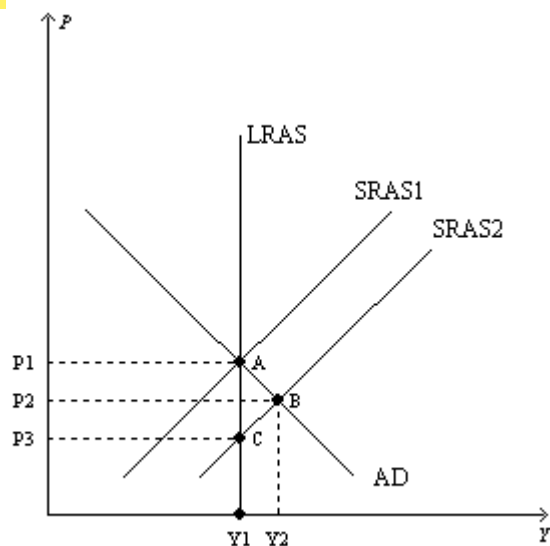
- production is more profitable and employment rises.
- production is more profitable and employment falls.
- production is less profitable and employment rises.

d. production is less profitable and employment falls.

21. The misperceptions theory of short-run aggregate supply curve says that quantity of output will decrease if the price level

- a. decreases by more than expected so that firms believe the relative price of their output has decreased.
- b. decreases by more than expected so that firms believe the relative price of their output has increased.
- c. decreases by less than expected so that firms believe the relative price of their output has decreased.
- d. decreases by less than expected so that firms believe the relative price of their output has increased.

22. Consider the exhibit below for the following question.

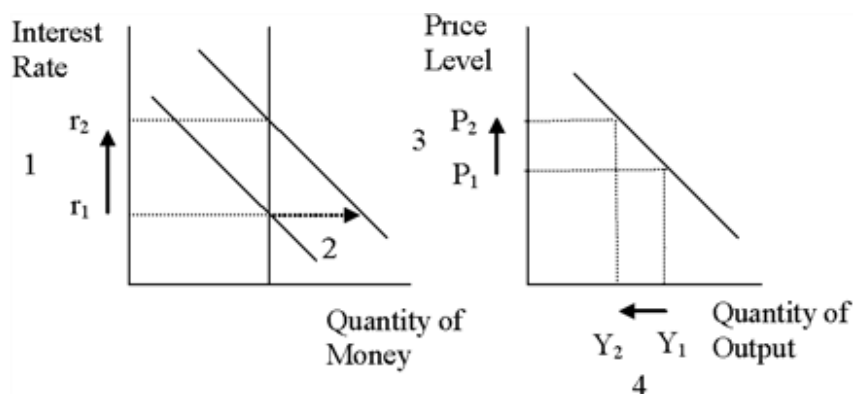


The shift of the short-run aggregate-supply curve from SRAS1 to SRAS2

- a. could be caused by an outbreak of war in the Middle East.
- b. could be caused by a decrease in the expected price level.
- c. causes the economy to experience an increase in the unemployment rate.
- d. causes the economy to experience stagflation.

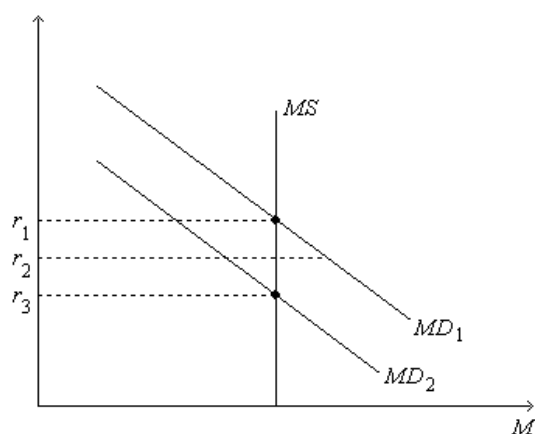
23. According to the figures below, which of the following sequences (numbered arrows) shows the logic of the interest-rate effect?

- a. 1, 2, 3, 4
- b. 1, 4, 3, 2
- c. 3, 4, 2, 1
- d. 3, 2, 1, 4



24. Which of the following events could explain a decrease in the equilibrium interest rate from r_1 to r_3 in the following figure?

- a decrease in the price level
- a decrease in the number of firms building new factories and buying new equipment
- an increase in the price level
- an increase in the number of firms building new factories and buying new equipment



25. The multiplier effect states that there are additional shifts in aggregate demand from fiscal policy, because it

- reduces investment and thereby increases consumer spending.
- increases the money supply and thereby reduces interest rates.
- increases income and thereby increases consumer spending.
- decreases income and thereby increases consumer spending.

26. Assume that there is no accelerator effect. The $MPC = 3/4$. The government increases both expenditures and taxes by \$600. The effect of taxes on aggregate demand is $3/4$ the size of that created by government expenditures alone. The crowding out effect is $1/5$ as strong as the

combined effect of government expenditures and taxes on aggregate demand. How much does aggregate demand shift by?

- a. \$1480
- b. \$480
- c. \$160
- d. \$1050

27. Which of the following is not an automatic stabilizer?

- a. the minimum wage
- b. the unemployment compensation system
- c. the federal income tax
- d. the welfare system

28. Suppose a central bank takes actions that will lead to a higher inflation rate. The public, however, is slow to adjust its expectation of inflation. Then, in the short run, unemployment

- a. rises. As inflation expectations adjust, the short-run Phillips curve shifts right.
- b. rises. As inflation expectations adjust, the short-run Phillips curve shifts left.
- c. falls. As inflation expectations adjust, the short-run Phillips curve shifts right.
- d. falls. As inflation expectations adjust, the short-run Phillips curve shifts left.

29. Suppose the central bank pursues an unexpectedly tight monetary policy. In the short-run the effects of this are shown by

- a. moving to the left along the short-run Phillips curve.
- b. moving to the right along the short-run Phillips curve.
- c. shifting the short-run Phillips curve to the right.
- d. shifting the short-run Phillips curve to the left.

30. Suppose that a small economy that produces mostly agricultural goods experiences a year with exceptionally good conditions for growing crops. The good weather would

- a. shift both the short-run aggregate supply and the short-run Phillips curve right.
- b. shift both the short-run aggregate supply and the short-run Phillips curve left.
- c. shift the short-run aggregate supply curve to the right, and the short-run Phillips curve to the left.
- d. shift the short-run aggregate supply curve to the left, and the short-run Phillips curve to the right.