一、單選題：共 6 題，每題 5 分。

1. Based on the definition of GDP (Gross Domestic Product), if Nike, an American corporation, produces sneakers in Thailand, this would
   (A) add to Thailand's GDP but not the US' GDP.
   (B) add to neither U.S. GDP nor Thailand's GDP.
   (C) count for both Thailand's GDP and U.S. GDP.
   (D) count as part of U.S. GDP since it is a U.S. corporation.

2. When an individual is frictionally unemployed, the unemployment arises in part from
   (A) individuals searching for appropriate employment.
   (B) a reduction in the overall demand for workers' skill.
   (C) a short-term elimination of jobs because of a slowdown in business activity.
   (D) the permanent elimination of jobs because of a change in the structure of the economy.

3. The figure below shows the PPFs for Angola and Brazil. The opportunity cost of a pound of coffee is

![Graph showing PPFs for Angola and Brazil]

   (A) 4/3 of a bushel of wheat in Angola and 8/3 of a bushel of wheat in Brazil.
   (B) 3/4 of a bushel of wheat in Angola and 3/8 of a bushel of wheat in Brazil.
   (C) 3 bushels of wheat in Angola and 3 bushels of wheat in Brazil.
   (D) 4 bushels of wheat in Angola and 8 bushels of wheat in Brazil.

4. The opportunity cost of holding money increases when
   (A) income increases.
   (B) the price level falls.
   (C) the interest rate on bonds rises.
   (D) wealth decreases.
5. In an open economy,
   (A) Saving = Foreign saving + Net capital outflow.
   (B) Saving = Domestic investment - Net capital outflow.
   (C) Saving = Domestic investment - Net exports.
   (D) None of the above is correct.

6. If a country’s saving rate increases, in the long run
   (A) productivity is higher, real GDP per person is not higher.
   (B) real GDP per person is higher, productivity is not higher.
   (C) productivity and real GDP per person are both higher.
   (D) neither productivity nor real GDP per person are higher.

二、是非題：共6題，每題5分。請先回答是或非，再寫理由：不寫理由，以零分計。

7. In general, the budget deficit increases when the economy is in a recession while the budget deficit decreases when
   the economy is in an expansion.

8. Not every person without a job is considered as unemployed.

9. In the long run, both output prices and input prices are flexible. However, in the short run, only input prices are
   flexible.

10. The current global recession causes the net exports of Taiwan to fall.

11. It is possible that a tax cut has no effect on the aggregate demand.

12. According to the AD-AS model, the short-run equilibrium general price level falls to a
    greater extent than the long-run equilibrium general price level if people expect that the
    general price level will fall.
13. Suppose that the economy is currently in a below full-employment equilibrium. Write a letter to the Fed suggesting what they can do to avoid a recession. Use the AS-AD model, money-market model, and the investment-demand model to explain how the Fed can help avoid a recession by using tools of the monetary policy. Answer the following questions in detail.

(a) (6 points) List all of the three monetary policy tools that can be used to stimulate the economy. Make sure to specify how the Fed should use these tools.

(b) (6 points) Draw a graph for the money market and a graph for the investment demand, respectively. Be sure to label the axes and curves. Show how the monetary policy affects the interest rate and how it in turn affects investment demand in graphs.
(3 points for graphs and 3 points for explanations)

(c) (8 points) Use the AS-AD model, be sure to label the axes and curves. First, draw the starting point and label it as point A. Second, show (in the graph) and briefly explain which curve will shift due to the Fed’s action (Suppose that the Fed does a good job in the sense that it brings the economy back to its long-run equilibrium). Label the new equilibrium as point B. Finally, explain the effect on the price level and real GDP of the Fed’s action compared to the initial point A. (3 points for the graph and 5 points for explanations)

14. Consider a model of only two periods: the current period and the future period. Let \( y \) and \( y' \) denote the current real income and the future real income, respectively. Also, let \( c, c' \) and \( r \) denote the current real consumption, the future real consumption and the real interest rate, respectively.

(a) (6 points) Draw a diagram (including the budget line and indifferent curves) to indicate the optimal consumption point for a saver and for a borrower, respectively.

(b) (6 points) Draw a diagram to illustrate how the current real consumption of a saver would change if the real interest rate falls.

(c) (8 points) Suppose that the government distributes consumption vouchers which are only effective for the current period to every resident. Draw a diagram to illustrate how the budget line of a borrower would change. Is it possible that the current real consumption of a borrower does not change at all? Explain.