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| 招生學年度 | 九十八 | 招生類別 | 碩士班 |
| 系所班別 | 全球運籌管理研究所 | | |
| 科目 | 專業英文 | | |
| 注意事項 | 本考科滿分為 50 分 | | |

Notes:

- There are 3 questions in this examination paper. Each question consists of several parts.
- The whole paper is of 50 points. The number of points is shown for each part.
- Answer the questions in English unless you are asked to do otherwise.

#1. Read the following paragraphs and then answer parts (a) to (c).

"Two nearby towns are considering whether to build a joint water distribution system. Town A could build its own facility for \$11 million without any assistance from B. Town B could build a separate facility for \$7 million without any co-operation from A. A facility that jointly serves both communities would cost \$15 million. Clearly it makes economic sense for them to cooperate, since they can jointly save \$3 million. These cost-savings represent the common property created by their joint activity, but for cooperation to occur they must agree on how to divide it. What equity principles might guide their discussions?

One obvious solution is that each town is a corporate entity with power to enter into a contract. Since they are equal partners in the enterprise, they should shoulder an equal burden. This argument ignores the possibility that the towns are unequal in other relevant respects however. Suppose, for instance, that town A has 36,000 residents and town B has 12,000 residents. Equal division between the towns implies that each resident of A pays only one-third as much as each resident of B, even though they are served by the same system. This might be considered unfair. An alternate solution would be to spread the costs equally among the persons rather than the towns. Divide the total cost of \$15 million by the 48,000 persons served by the system, and assess each individual \$312.50. Under this arrangement, town A would pay \$11.25 million and town B pay \$3.75 million."

(Extracted from *Equity - In Theory and Practice* by H. Peyton Young)

There are two possible schemes to share the cost, equal division between the two towns or equal division per capita.

- (a). (4 points) Which town would more likely object the scheme to divide cost equally between the two towns? Why does the town object such a scheme?
- (b). (4 points) Which town would more likely object the scheme to divide cost equally among all residents? Why does the town object such a scheme?
- (c). (6 points) Comment in no less than 100 words - your own words - on the above cost-sharing problem between the two towns.

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#2. Read the following paragraphs about the impacts and implications of the finance strength of Britain in the nineteenth century. Then answer parts (a) to (c).

"The consequences of this vast export of capital were several, and important. The first was that the returns on overseas investments significantly reduced the annual trade gap on visible goods which Britain always incurred. In this respect, investment income added to the already considerable invisible earnings which came from shipping, insurance, bankers' fees, commodity dealing, and so on. Together, they ensured that not only was there never a balance-of-payments crisis, but Britain became steadily richer, at home and abroad. The second point was that the British economy acted as a vast bellows, sucking in enormous amounts of raw materials and foodstuffs and sending out vast quantities of textiles, iron goods, and other manufactures, and this pattern of visible trade was paralleled, and complemented, by the network of shipping lines, insurance arrangements, and banking links which spread outward from London (especially), Liverpool, Glasgow, and most other cities in the course of the nineteenth century.

Given the openness of the British home market and London's willingness to reinvest overseas income in new railways, ports, utilities, and agricultural enterprises from Georgia to Queensland, there was a general complementarity between visible trade flows and investment patterns. Add to this the growing acceptance of gold standard and the development of an international exchange and payments mechanism based upon bills drawn on London, and it was scarcely surprising that the mid-Victorians were convinced that by following the principles of classical political economy, they had discovered the secret which guaranteed both increasing prosperity and world harmony. Although many individuals - Troy protectionists, oriental despots, newfangled socialists - still seemed too purblind to admit this truth, over time everyone would surely recognize the fundamental validity of laissez-faire economics and utilitarian codes of government.

While all this made Britons wealthier than ever in the short term, did it not also contain elements of strategic danger in the longer term? With the wisdom of retrospect, one can detect at least two consequences of these structural economic changes which would later affect Britain's relative power in the world. The first was the way in which the country was contributing to the long-term expansion of other nations, both by establishing and developing foreign industries and agriculture with repeated financial injections and by building railways, harbors, and steamships which would enable overseas producers to rival its own production in future decades. In this connection, it is worth noting that while the coming of steam power, the factory system, railways, and later electricity enabled the British to overcome natural, physical obstacles to higher productivity, and thus increased the nation's wealth and strength, such inventions helped the United States, Russia, and central Europe even more, because the natural, physical obstacles to the development of their landlocked potential were much greater. Put crudely, what industrialization did was to equalize the

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chances to exploit one's own indigenous resources and thus to take away some of the advantages hitherto enjoyed by smaller, peripheral, naval-cum-commercial states and to give them to the great land-based states.

The second potential strategical weakness lay in the increasing dependence of British economy upon international trade and, more important, international finance. By the middle decades of the nineteenth century, exports composed as much as one-fifth of total national income, a far higher proportion than in Walpole's or Pitt's time; for the enormous cotton-textile industry in particular, overseas markets were vital. But foreign imports, both of raw materials and (increasingly) of foodstuffs, were also becoming vital as Britain moved from being a predominantly agricultural to being a predominantly urban/industrial society. And in the fastest-growing sector of all, the "invisible" services of banking, insurance, commodity-dealing, and overseas investment, the reliance upon a world market was even more critical. The world was the City of London's oyster, which was all very well in peacetime; but what would the situation be if ever it came to another Great Power War? Would Britain's export markets be even more badly affected than in 1809 and 1811-1812? Was not the entire economy, and domestic population, becoming too dependent upon imported goods, which might easily be cut off or suspended in periods of conflict? And would not the London-based global banking and financial system collapse at the onset of another world war, since the markets might be closed, insurances suspended, international capital transfers retarded, and credit ruined? In such circumstances, ironically, the advanced British economy might be more severely hurt than a state which was less "mature" but also less dependent upon international trade and finance."

(Extracted from *The Rise and Fall of the Great Powers* by Paul Kennedy)

- (a). (6 points) Summarize the two consequences of the vast export of capital of Britain in 50 words.
- (b). (4 points) Name the two principles of classical political economy that mid-Victorians believed for increasing prosperity and world harmony. Who objected these principles?
- (c). (6 points) The paragraphs discuss two ways in which the finance and trade pattern of Britain in the nineteenth century later reduces her relative power in the world. Summarize each of these two ways in 25 words.

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#3. Read the following paragraphs about the economic situation of the United States (US) in 1990's and then answer parts (a) to (d).

"With the exception of one year, 1990, inflation was no longer the dominant economic motif – disinflation was. This was partly due to the recession that took hold in 1992; facing hard times, people weren't willing to pay ever-higher prices, and undertook to find less expensive alternatives. But it was also due to trends that were in evidence even after the recession had ended. The new global economy, the enormous economic power of discounters such as Wal-Mart, the move away from "name" brands and toward generic products – these were all factors that exerted a downward pressure on prices. Fast food restaurants, having saturated the country, were forced to compete with each other by lowering prices. Cheap generic cigarettes began cutting deeply into the market share of the big, established brands, forcing companies like RJR Nabisco and Philip Morris to lower prices on well-known brands such as Winston and Marlboro. A vicious price war broke out among computer manufacturers. The price of gasoline at the pump in 1993 approached prices not seen since the late 1970s. There were dozens of similar examples. Even the price of a house was not immune from this trend. After almost twenty years of spiraling upward, housing prices finally stopped rising in many sections of the country. In some sections, they actually went down.

By all rights, Americans should have been rejoicing at this turn of events. But many weren't. Homeowners, in particular, were dismayed when they realized that their chief economic asset had stopped rising in value; many had come to view the built-in capital gain provided by a 10 or 15 percent annual rise in the price of their home as practically a God-given right. But there was no such right. Houses were commodities. They reacted to the laws of supply and demand. And, as with every other aspect of personal finance in America, buying a house meant taking some risk. To their chagrin, millions of Americans were now relearning this most basic of truths.

Even the more generalized phenomenon of disinflation was not necessarily greeted with cheers. Just as one generation of Americans continued to conjure up images of the Depression well into the late 1950s and early 1960s, so did the next generations of Americans continue to conjure up inflation fears. People seemed to be looking over their shoulders, half expecting inflation to break out again – or more likely, believing it had never left. In the summer of 1992, at a time when inflation was lower than it had been since the 1950s, *Business Week* cited a survey in which consumers said they expected inflation to grow by almost 5 percent during the next year. By the end of 1992, the Consumer Price Index had risen 1.7 percent – a negligible amount. Yet a decade after inflation had been tamed, people remained haunted by it."

(Extracted from *A Piece of the Action* by Joseph Nocera)

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(a). (6 points) Give six reasons that made inflation no longer the dominant economic motif for US in 90's. List your answer clearly in point form from (i) to (vi). Your points should summarize general phenomena. Examples in different settings of the same phenomenon are only counted as one point.

(b). The following parts ask for your understanding of the material provided in the paragraph, not your computation power.

(i). (3 points) John bought a house in US in early 70's and kept it till early 90's. Estimate the rate of return of his investment. Explain your reasoning.

(ii). (3 points) Tom bought and kept a house in US for a year in early 90's. Estimate the rate of return of his investment. Explain your reasoning.

(c). (3 points) Give your best estimate of the inflation rate of US from 1973 to 1992. Explain your reasoning.

(d). (5 points) Translate the second paragraph "By all rights, ... this most basic of truths." into Chinese.