Economics

Essay questions (問題): Please answer following questions specifically. Each question counts 10 points. Total points are 100 points. There are 10 essay questions in this examination. No calculation is needed in this examination. You could answer the question with either Chinese or English.

1. Suppose the current price of gasoline is $1.50 and the government passes a law that requires the price to be no more than $1 a gallon. What will be the effects?

2. Explain what market failure is. How does market failure relate to the price system? How does market failure relate to the role of government?

3. How are inflation and the purchasing power of money related?

4. What is value added and how is it related to GDP?

5. Suppose aggregate demand is increasing over time. Would the Keynesian model assume that the price level would always be constant? Explain.

6. Explain the role of financial intermediation.

7. Explain the open economy effect of fiscal policy.

8. Explain the kinked demand curve and the criticism of it.

9. What factors generate economies of scale?

10. Suppose the economy has been experiencing zero inflation and 5 percent unemployment for several years. The government decides to lower the unemployment by generating some inflation. Using a graph, show what the short-run effects would be and what would happen in the long run. What would the government have to do to keep the unemployment rate at 3 percent?