(命題用紙)

八十五學年度國立台灣工業技術學院研究所碩士班招生考試

所　別：管理技術研究所

學程別：企業管理學程　　組別：　　科目：經濟學

壹.個體經濟學(50 分)

1.何謂機會成本(opportunity cost)? 請說明其在個體經濟理論之應用.(10 分)

2.請舉例說明所謂逆選擇(adverse selection)問題, 及其影響與解決之道.(10 分)

3.請闡述消費者剩餘(consumer's surplus), 補償變量(compensating variation)及等變量(equivalent variation), 並比較其異同.(15 分)

4.請選擇任何你認爲最適當的市場模型, 並用以解釋目前臺灣水泥業之運作.(15 分)

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5. Please answer questions below according to the following article cited from THE ECONOMIST NOVEMBER 18TH 1995

What's under Asia's mattress?

Asian countries are amassing huge foreign-exchange reserves. What are the implications for their economies and for the world's financial system?

ONCE upon a time, economists used to fret about whether a shortage of foreign-exchange reserves would cramp developing economies' imports, and hence their ability to invest and grow. Now, however, the coffers of central banks in many of these countries are overflowing. Over the past five years, the foreign-exchange reserves of developing economies have more than doubled; those in rich industrial economies have risen by only a fifth. As a result, developing countries now control more than half of the world's total reserves.

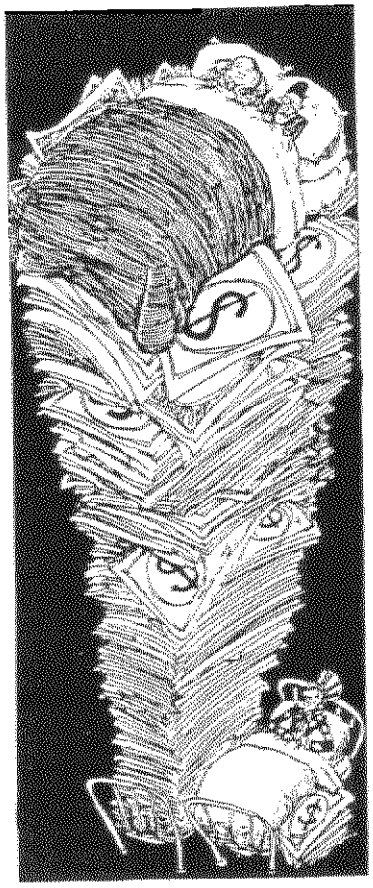
Indeed, six of the world's ten biggest holders of foreign-exchange reserves are now emerging economies; five of these are in Asia (see chart on next page). China's reserves have risen above $70 billion, almost four times their level at the end of 1992. Thailand and Singapore have also seen big gains of late. After an explosion in the late 1980s, Taiwan's reserves have fallen this year, because of a net outflow of capital as foreigners have shunned the Taipei stockmarket. Nevertheless, at $91 billion, they are still bigger than China's.

Even so, Japan is top of the global reserve league with $170 billion. Its reserves have soared by 174% since the end of 1992, thanks to heavy intervention by the Bank of Japan to prop up the dollar. As a result, just five Asian economies—China, Hong Kong, Japan, Singapore and Taiwan—now control more than one-third of the world's total foreign-exchange reserves.

At first sight, this looks like yet more evidence of Asia's increasing economic clout. But although it reflects large current-account surpluses in some countries, a majority of Asia's emerging economies run deficits. A weightier factor has been the massive inflow of foreign capital, which has greatly exceeded these current-account deficits.

The concentration of reserves in the hands of Asian economies would make excellent material for a financial thriller: a plot to bring down the dollar. The news that several Asian central banks are about to sign a pact to strengthen their ability to intervene jointly in the currency markets could be interpreted as another sign of a conspiracy. Sales of dollars by these banks have sometimes been blamed for the dollar's fall.

The shift out of dollars has been driven partly by the currency's poor performance as a store of value; but it also reflects a desire to hold more yen, in which a large chunk of Asian countries' debt is denominated. Asia's accumulation of reserves, combined with its desire to diversify into yen, may well hasten the dollar's long-term decline as a reserve currency. However, conspiracy theorists should not get too carried away: central banks' reserves do not carry that much weight. After all, such reserves amount to barely one day's trading in the global foreign-exchange market.



More interesting is the impact of the build-up of reserves on emerging economies. It is always possible to have too much of a good thing: and rising foreign-exchange reserves can sometimes signal poor policy, rather than economic strength.

Such reserves are typically invested in low-yielding treasury bills, so a country with massive reserves is rather like a firm that leaves lots of cash idle in the bank, rather than putting it to productive use or handing it back to shareholders. Industrial economies' foreign-exchange reserves are, on average, equivalent to 2½ months of their imports; many Asian developing countries have eight months or more of import cover.

Mexico's experience last year (in December 1994 it lost $5 billion of reserves within a few days) suggests that emerging economies need large war chests. But the risk of a sudden reversal in capital inflows is lower in Asia than in Latin America, because foreign direct investment has played a bigger role than volatile flows of hot money. In an age of high capital mobility, the traditional measure of reserve adequacy, import cover, makes less sense. More important is whether a country has enough reserves to cover debt payments. Those that have high levels of short-term debt, such as Mexico, need more reserves than Asian countries.

Money to burn

If the squirrelling away of reserves simply reflected financial conservatism, there might be little cause for concern. But rising reserves can sometimes signal danger rather than prudence. Their rapid rise can fuel monetary growth and thus inflation (or asset-price bubbles, as happened in Taiwan a few years ago). Several governments have tried to "sterilise" the increase in their reserves by selling bonds to mop up the extra liquidity. But this trick is less effective over time: it becomes increasingly costly and, because it raises domestic interest rates, it can lure in even more foreign capital.

The only long-term solution is to allow exchange rates to rise, which would help to curb inflation. At present, most Asian economies try to keep their exchange rates low to maintain export competitiveness. Much of the increase in reserves reflects direct central-bank intervention to hold down their currencies. However, according to ING Baring Securities, an investment bank, most

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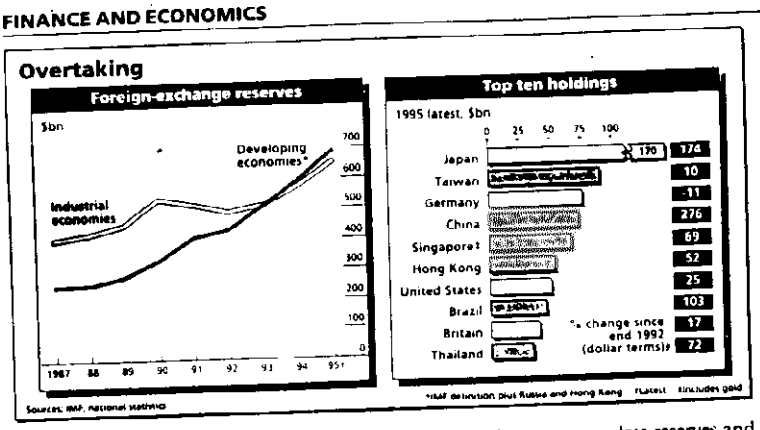
FINANCE AND ECONOMICS



Asian currencies, including those of China, India and Thailand, are still grossly undervalued compared with these countries' purchasing-power parities.

It is natural that the real exchange rates of countries whose productivity is growing rapidly should rise—look at Japan over the past two decades. This can happen in two ways: through a rise in the exchange rate or a rise in inflation.

The crucial question is whether capital inflows are permanent. If they consist mainly of short-term portfolio capital, then it may be wiser to accumulate reserves and sterilise, rather than allow the exchange rate to rise only to see it plunge later when the footloose capital leaves. But if, as seems to be the case in Asia, much of the inward investment is permanent, a stronger exchange rate may be a better answer.

The trouble is that Asian governments tend to worry that currency appreciation will make their exports less competitive. This has not, however, happened in Singapore, one of the few Asian economies that has allowed its exchange rate to rise. It enjoys one of the lowest inflation rates in the world (1.3%), despite being one of the region's fastest-growing economies. The rise in the Singapore dollar has also encouraged companies to shift their products upmarket, away from those made by low-skilled labour towards those with a greater skill content. Governments that keep their currencies undervalued hinder the upgrading of their exports and may also hold back living standards by making imports dearer than they need to be.

Sooner or later, many fast-growing Asian economies will have to follow Singapore's lead and let their exchange rates rise against other currencies. When they do, the dollar may well decline—not because of some dastardly Asian conspiracy, but simply because of the law of the market.

(1) How does the rapid rise in reserves affect inflation ? (5%)
(2) What is the long-term solution to curb inflation in Asian countries like Taiwan with huge foreign-exchange reserves? why?(5%)
(3) How can rising foreign-exchange reserves sometimes signal poor policy, rather than economic strength? (5%)
(4) " A country can maintain export competitiveness by keeping exchange rate low." Do you agree or not? why? (10%)

6. Suppose people begin to believe that future yields of existing or producible assets will deteriorate what would happen to
(1) the prices of common stocks? why? (5%)
(2) the interest rate? why? (5%)
(3) the aggregate national income? why? (5%)

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7. What would happen to interest rate if, say, by accumulation over the years, the stock of capital goods increased? why? (10%)

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