경 제 학

2006년 시행 외무고등고시(영어능통자) 제2차시험

응시번호 :　　성명 :

제 1 문. As in the Pangyo case, the government is going to supply new apartments at a low price after developing new town in the outskirts of Seoul. Answer the forthcoming questions after considering following assumptions for the convenience of analysis. When drawing each diagram, show the numbers of price and quantity as exactly as you can to compare the outcome of each question. (total 40 points)

- All apartments are homogeneous with regard to every aspect, such as size, location, and quality.
- The maximum quantity of apartments to be supplied is restricted to 1,000 due to the space limit.
- The production cost of each apartment is 400 million won regardless of amounts of apartment supplied. And we do not consider any other cost at all.
- The quantity of apartments demanded is 1,400 when the price is zero.
- When this market is competitively operated, the equilibrium price is 600 million won and the quantity transacted is 1,000.
- The government think that this price is too high and therefore try to regulate it below 400 million won.

1) Explain the difference between two expected outcomes (price, quantity, profit, etc.) to occur in the market with an appropriate diagram when the government regulates the price of apartment at 400 million won and when this market is operated competitively without any regulation. (10 points)

2) Explain the expected outcome (price, quantity, profit, etc.) to occur in the market with an appropriate diagram when the government permits a monopoly firm to provide all apartments without any regulation. (10 points)

3) If the above mentioned monopoly firm is permitted to do the perfect price discrimination, how can it be executed? Also explain the expected outcome (price, quantity, profit, etc.) to occur in the market with an appropriate diagram. (10 points)

4) The government wants to regulate the price of apartment at 400 million won under the competitive market system. It also wants to make consumers write additional amounts of money as a public donation as much as they can. The apartment is supposed to be allotted to 1,000 persons who promise highest donations. Explain the expected outcome (price, quantity, profit, etc.) to occur in the market with an appropriate diagram in this case. (10 points)

제 2 문. Recently we are experiencing a decrease in the population growth rate due to low birth rate, and approaching an aging society. (total 20 points)

1) Based on Solow's growth model, analyze the effect of a decrease in the population growth rate on economic growth using a diagram. (10 points)

2) Does the above mentioned relationship between the population growth rate and economic growth correspond to our concern about future low economic growth rate due to low birth rate and an aging society? If not, explain why you think so. (10 points)

제 3 문. After the currency crises in 1997, BIS capital adequacy ratio has been regulated to ensure a sound banking business. Using relationship between BIS capital adequacy ratio and business cycle, explain why the regulation of BIS capital adequacy ratio could reduce the effectiveness of expansionary monetary policy. (10 points)

제 4 문. Answer the following questions based upon theories on foreign exchange rate determination. (total 30 points)

1) You are given the following information on the international financial market. Supposing you have certain amount of Korean won, what kind of decision would you make with your money? Explain why.
If everyone in the market follows the suit, what would happen to the exchange rate between won and dollar? Explain. (15 points)

The spot exchange rate	$1 = ₩950
The expected exchange rate one year later	$1 = ₩1,050
One year forward exchange rate	$1 = ₩1,050
Korea's interest rate	5%(1 year)
US interest rate	3%(1 year)

2) A survey shows that the average prices of McDonald's Big Mac are $3.10 and ¥264 in US and Japan, respectively. Suppose that the spot exchange rate between dollar and yen is $1 = ¥113. Based upon the purchasing power parity theory, explain whether yen is overvalued or undervalued against dollar. If you have certain amount of dollars, what decision would you make? Describe the conditions under which your decision may prevail. (15 points)

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