

**Part I. Read each of the abstracts printed below. Following each abstract are several statements. According to the information given in each abstract identify each statement as (a) true, (b) false or (c) uncertain. (3 points each)**

Is lifetime inequality mainly due to differences across people established early in life or to differences in luck experienced over the working lifetime? We answer this question within a model that features idiosyncratic shocks to human capital, estimated directly from data, as well as heterogeneity in ability to learn, initial human capital, and initial wealth. We find that, as of age 23, differences in initial conditions account for more of the variation in lifetime earnings, lifetime wealth, and lifetime utility than do differences in shocks received over the working lifetime.

1. Initial human capital is more important to determining lifetime wealth than initial wealth.
2. Most lifetime inequality in earnings is best explained by what happens to a person after he reaches the age of twenty-three.
3. This models assumes that people have different learning abilities.

This paper estimates the impact of electrification on employment growth by analyzing South Africa's mass roll-out of electricity to rural households. Using several new data sources and two different identification strategies (an instrumental variables strategy and a fixed effects approach), I find that electrification significantly raises female employment within five years. This new infrastructure appears to increase hours of work for men and women, while reducing female wages and increasing male earnings. Several pieces of evidence suggest that household electrification raises employment by releasing women from home production and enabling microenterprises. Migration behavior may also be affected.

4. In South Africa, electrification affected migration behavior.
5. Electrification increases the supply of women willing to work in microenterprises.
6. Electrification causes male wages to increase relative to female wages.
7. Rural electrification has a greater effect than urban electrification.

We investigate the effect of lane kilometers of roads on vehicle-kilometers traveled (VKT) in US cities. VKT increases proportionately to roadway lane kilometers for interstate highways and probably slightly less rapidly for other types of roads. The sources for this extra VKT are increases in driving by current residents, increases in commercial traffic, and migration. Increasing lane kilometers for one type of road diverts little traffic from other types of road. We find no evidence that the provision of public transportation affects VKT. We conclude that increased provision of roads or public transit is unlikely to relieve congestion.

8. Increasing public transportation lowers the number of vehicle-kilometers traveled.
9. Increasing lane kilometers of roads increases vehicle-kilometers traveled.
10. Increasing lane kilometers of roads increases migration.

見背面

The high and rising household savings rate in China is not easily reconciled with the traditional explanations that emphasize life cycle factors, the precautionary saving motive, financial development, or habit formation. This paper proposes a new competitive saving motive: as the sex ratio rises, Chinese parents with a son raise their savings in a competitive manner in order to improve their son's relative attractiveness for marriage. The pressure on savings spills over to other households. Both cross-regional and household-level evidence supports this hypothesis. This factor can potentially account for about half the actual increase in the household savings rate during 1990-2007.

11. Traditional explanations for saving can account for China's household savings rate.
12. A Chinese man is more willing to marry if his parents have saved a lot of money.
13. The competition to find a wife for one's son affects the savings of people who have no son.

In many sectors, pay is regulated to be equal across heterogeneous geographical labor markets. When the competitive outside wage is higher than the regulated wage, there are likely to be falls in quality. We exploit panel data from the population of English hospitals in which regulated pay for nurses is essentially flat across the country. Higher outside wages significantly worsen hospital quality as measured by hospital deaths for emergency heart attacks. A 10 percent increase in the outside wage is associated with a 7 percent increase in death rates. Furthermore, the regulation increases aggregate death rates in the public health care system.

14. English regulation of nurses wages causes deaths to increase in the public health care system
15. English nurses' wages vary less than most wages across regions.
16. The death rate in cases of emergency heart attack exceeds seven percent.

Central bankers' conventional wisdom suggests that nominal interest rates should be raised to attain a lower inflation target. In contrast, I show that the standard New Keynesian monetary model with rational expectations and full credibility predicts that nominal interest rates should be decreased to attain this goal. Real interest rates, however, are virtually unchanged. These results also hold in recent vintages of New Keynesian models with sticky wages, price and wage indexation and habit formation in consumption.

17. Central bankers generally believe that raising nominal interest rates will lower inflation.
18. The model used in this paper confirms central bankers' conventional wisdom.
19. Assuming sticky prices and wages does not affect the basic results of this paper.

This paper assesses the potential impacts of the removal of agriculture trade distortions using a newly developed data set and methodological approach for evaluating the global poverty and inequality effects of policy reforms. It finds that liberalisation of agriculture and food could increase global extreme poverty by 0.2 per cent and lower moderate poverty by 0.3 per cent. Beneath these small aggregate changes, most countries witness a substantial reduction in poverty, while South Asia where half of the worlds poor reside experiences an increase in extreme poverty incidence owing to high rates of protection afforded to unskilled-intensive agricultural sectors. The distributional changes are likely to be mild but exhibit a strong regional pattern. Inequality is likely to fall in regions such as Latin America, which are characterised by high initial inequality, and rise in regions like South Asia, characterised by low initial inequality.

20. Removing agricultural trade distortions will increase the number of people in extreme poverty.
21. Areas with high initial inequality will be most affected by the removal of trade distortions.
22. Liberalization will slow economic growth in the South Asian region.

Asian economies have embraced the globalization of production, trade and capital flows. One dimension of contemporary globalization has been the heavy exchange rate management, and rapid and massive stockpiling of foreign exchange reserves in Asia. This article undertakes an empirical investigation to assess the extent of de facto sterilization and capital mobility in Singapore and Taiwan using quarterly data between 1990 and 2008. Our empirical results suggest that, since 2001, both Singapore and Taiwan have a high degree of - but not perfect - de facto capital mobility. To date, this high-effective capital mobility has not undermined the ability of the central bank in either economy to sterilize their respective foreign exchange intervention but may make the process increasingly difficult over time.

23. Greater capital mobility makes stockpiling foreign exchange reserves harder.
24. This paper does not examine trade and capital flows before 1990.
25. Singapore's central bank is able to sterilize its foreign exchange intervention.

A number of studies have revealed a negative effect of industrial policy on productivity growth. Is this because industrial policy fails to control the activities of firms or because it can effectively control them? This paper attempts to answer these questions, using firm-level data from the cotton-spinning industry in Japan for the period 1956-64. We determine that industrial policy cut two ways during this period. Industrial policy effectively controlled the output of cotton-spinning firms, which contributed to the establishment of a stable market structure during the period. On the flip side, such policy constrained the reallocation of resources from less productive large firms to more productive small firms. Combined with the negative productivity growth in large firms during this period, industrial policy resulted in negative productivity growth in the industry.

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26. Industrial policy in the Japanese cotton-spinning industry lowered the productivity of large cotton-spinning firms.
27. Industrial policy caused market structure to change more quickly.
28. Government policy caused more productive firms to grow slower.

The Mexican expropriation of 1938 was the first large-scale non-Communist expropriation of foreign-owned natural resource assets. The literature makes three assertions: the United States did not fully back the companies, Mexico did not fully compensate them for the value of their assets, and the oil workers benefitted from the expropriation. This article finds that none of those assertions hold. The companies devised political strategies that maneuvered a reluctant President Roosevelt into supporting their interests, and the Mexican government more than fully compensated them as a result. Neither wages for oil workers nor Mexican government oil revenue rose after the expropriation.

29. U.S. oil companies did not lose money when Mexico expropriated their assets.
30. The U.S. did not fully back the oil companies.

**Part II. (5 points each)**

31. In one fully-grammatical English sentence explain the difference between nominal and real interest rates.
32. In one fully-grammatical English sentence explain why demand curves slope down.

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