

1. To avoid tautology problems. Under the postulate of constrained maximization, if the constraints are fully specified, we can predict how the individuals maximize themselves and thus to derive refutable implications. However, if we allow individuals not to maximize themselves in some occasions, when our predictions were refuted, we can disclaim it by claiming they are not maximizing. Thus, the predictions could never get refuted and do not have any explaining and predicting powers.

It is again the tautological problem. Utility is an arbitrarily assigned number for ranking options. As it is unobservable, we can allege all human behaviours have maximized utility. Thus, it is tautological to say people always maximize utility which does not have any explaining and predicting powers.

爲了避免套套邏輯的問題。根據局限下極大化的基本假設的含意，若所有局限皆被考慮，我們便可推測個人會如何極大化自己，因而引申出可被推翻的含意。但是，若我們容許個人在某些情況下不極大化其利益，若推測被推翻，我們便可永遠辯稱這只是因爲個人並未極大化其利益。這會令推測永遠不會被推翻而不具有任何解釋及推測能力。

亦是有套套邏輯的問題。功用爲一隨意指定的數字以排列選擇。由於功用不可被觀察，我們可宣稱所有人類行爲皆在極大化功用。所以，說個人永遠極大化功用，是套套邏輯，而不具有任何解釋及推測能力。

2. The possible reactions of individuals towards any constraints changes are infinite. When our theory can offer a prediction on the reaction, we call it the equilibrium. On the other hand, when we cannot explain and predict the reactions, we simply call them disequilibrium. Thus, claiming disequilibrium means they are beyond our analyses which we cannot offer any refutable implications.

個人對任何局限條件轉變的可能反應是無限的。若理論能夠讓我們對其反應作出推測，我們稱之爲均衡。相反，讓我們並未能解釋及推測其反應，則稱之爲非均衡。所以，說一人類行爲爲非均衡，即是說它超出了我們的理論分析。因此，我們並未能提供任何可被推翻的含意。

3. Profit is not a cost. As profit is an unexpected return, there are no options capturing profit before hand. Having no options will mean profit is not a cost.

The differences between profit and rent are: the former is an unexpected return which is unobservable, is not a cost and can not be capitalized; whilst the latter is expected return which is observable, is a cost in some dimensions and can be capitalized.

利潤並不是成本。由於利潤為非預期收益，所以在事前並沒有任何可獲取利潤的選項。既然沒有選項，利潤便自然不是成本。

利潤與租值的分別為前者為非預期收益而不可被觀察、不是成本及並不能資本化；後者則為可預期收益並可被觀察、在某角度看是成本及可被資本化。

4. I agree. Firm is an institution to reduce the transaction costs of using market. If transaction costs are zero, there will be no reasons for firms to exist.

我同意。公司是一制度，其出現是為了解低使用市場制度的交易費用。若沒有交易費用，公司便缺乏原因存在。

5. No. Although both the all-or-nothing pricing and perfect price discrimination aim at extracting consumer surplus, the latter would charge different people different prices, whilst the former can be of a uniform pricing.

否。雖然全量或零量定價及完全價格分歧皆旨在榨取消費者盈餘，但後者向不同的個人會收取不同的價格，前者則可以是劃一收費。

- 6(a) To reduce transaction costs. Investment decisions are highly subjective, which incur a great monitoring cost to check whether the employees are making “wisest” decisions for the company. The great monitoring costs can be reduced effectively by the bonus system depending on whole year performance.

為了解低交易費用。投資決定由於較為主觀，所以難以監察員工是否真的在為公司作出「最明智」的投資決定，以致監察費用非常高。高的監察費用能夠以隨全年表現而定的花紅制而有效減低。

- (b) The choice of contracts is restricted by the restriction on bonus system. Under the implication of the postulate of constrained maximization, the choice of contracts would be a transaction costs minimum. For investment banks, on one hand it has to spend more on monitoring performance of employees, on the other hand they may suffer from loss of employees because of lower expected income.

This is also harmful to the US economy. Investment banks can originally cut spending through cutting bonuses during economic recessions, instead of firing workers. When the bonus system is restricted, laid-offs is inevitable and this eventually raises the unemployment rate. (This is especially important in consumption-dependent economy like US)

限制分花紅限制了合約選擇。根據局限下極大化的基本假設的含意，合約的選擇會為交易費用最小化。所以限制合約選擇會令交易費用增加。對投資銀行而言，一方面要花上較多的監察費用以其他方法監察員工表現，另一方面則會因預期收入減少而令人才流失。

這對美國經濟亦沒有好處。原本投資銀行在經濟衰退時，可透過大幅削減花紅以減低支出，而不用作大幅裁員。若花紅制被限制，投資銀行在經濟衰退時，只能透過大幅裁員而削減支出，因而令失業率上升。(這在以消費支撐經濟的美國的影響尤其嚴重)

- 7(a) It is because the estimating costs are too high. The government aims to promote sports through delivering free admission tickets. It is an effective measure when the MUVs of the events to Hong Kong citizens are very low. Theoretically, most of the seats would be filled in some popular events even the admission tickets are charged, as the MUVs of them are higher to the citizens. However, the MUVs are unobservable and the estimating costs would be enormous. To guarantee attending rate without spending high estimating costs, free admission tickets are distributed even in popular events.

因為估算費用(estimating cost)太高。政府派發免費門券，旨在藉此令看比賽的邊際使用價值(MUV)很低的人入場，從而令更多港人支持香港隊及推廣運動。理論上，在一些熱門賽事中，因很多人的邊際使用價值(MUV)不低，所以即使要購票亦會有足夠的市民入場。問題是，邊際使用價值(MUV)並不可被觀察，所以估算費用(estimating cost)非常高。因此，政府派發免費門券，以在不須付出高昂的估算費用下，保證有一定人數入場觀看。

- (b) There are lots of external benefits of hosting international sports events, such as national pride. As these benefits are hard to price, private companies cannot gain from them through hosting international sports events.

舉辦運動會會有很多界外得益，如民族驕傲。由於這些界外得益難以被定價，所以私人主辦商難以從這些界外得益獲益。

- (c) This may be because most of the Chinese athletes are still trained by the government. The visible hand can first analyze which items Chinese athletes do have advantages, and then put emphasis on them, like table tennis and diving.

這可能是因為絕大部分的中國運動員仍由政府培訓。有形的手可以先對中國運動員會在什麼項目上擁有優勢，繼而作重點培訓，例如乒乓球及跳水等項目。

- 8(a) No. Those having low income but high time cost would take the high speed railway service.

不會。收入不高但時間成本很高的人士亦會乘坐高鐵。

- (b) The relevance of the Coase Theorem here is that if the property rights of Choi Yuen village is clearly delineated, then market transactions between the government and residents there would occur to settle the divergence. However, given the presence of very high transaction costs – the bargaining cost and politicizing cost – such market transactions may not occur.

高斯定律在這裡的相關之處在於若菜園村的產權有清晰的界定，則政府與菜園村居民之間會出現市場交易以解決該分歧。但當有非常高的交易費用的存在 – 議價費用及政治費用等 – 該市場交易則未必會出現。

- (c) It is virtually impossible to show whether the social gains are greater or smaller than the social cost in this case, because there is no guideline to properly estimate these gains and costs. When people are not asked or not required to pay, as they do in the market, any such estimate is not reliable.

因為沒有可用來確當地估計這些得益和成本的指引，事實上在這情況下是不可能顯示該社會得益是大於還是小於該社會成本的。當人們無須像在市場中為所獲付出，任何這類估計都不可靠。