(a) S: Both are sub-accounts of BOP.
兩者都是國際收支平衡的分帳。

D: The former measures flow of real resources vs. the latter measures external transactions and show how they are financed.
前者量度實質資源的流動。後者則量度對外交易及顯示這些對外交易的融資方式。

(b) S: Central parity or target rate of exchange chosen by a country between its currency and some foreign currency under a non-flexible (i.e., non-market-determined) exchange-rate (ER) regime in order to maintain stable domestic-currency values;
兩者皆是在一個非浮動的匯率制度下列(即非市場決定的)，由一國選擇兩種貨幣的中間價或目標匯率去維持本地貨幣幣值穩定。

D: Single rigidly set ER maintained through an automatic adjustment mechanism under a currency board vs. Currency bands (with rooms for ER movements) maintained through central-bank interventions in the foreign-exchange market.
前者指在一個貨幣發行局制度下，透過自動調節機制所維持的單一緊訂匯率。後者指透過央行在外匯市場干預，所維持的貨幣浮動幅度(匯率具有變動的空間)。

(c) S: Monetary aggregates, both including currency (banknotes and coins) held by the non-bank public.
兩者都是貨幣總量，並包括非銀行公眾人士所持有的紙幣及硬幣。

D: M0 (currency + reserves) vs. M1/M2/M3 (currency + deposits).
前者是 M0，即已發行並流通的貨幣及其他銀行法定儲備。後者是 M1/M2/M3，即已發行並流通的貨幣及銀行存款。

(d) S: 兩者皆是在自由貿易下，本地生產的可貿易物品與外國生產的相同物品之間沒有套戥，因此兩種物品的價格(以任何指定貨幣為單位)相等。

D: 前者指一籃子的貨品。後者指單一貨品。

(e) S: Price index – i.e., ratio of current-period value of a basket of goods to its base-period value (times 100)
兩者都是一籃子物品今期價值對基期價值的比率(乘以 100)。

D: Fixed weights of goods in some specified consumption basket according to people’s expenditure pattern in the base year (Laspeyres index) vs. Variable weights of goods in the GDP basket according to the domestic production pattern in the current year \ (Paache index).
前者的特定消費籃子內各種物品的固定加權是根據人們基年的支出模式而定

(拉斯佩爾指數)。後者的本地生產總值籃子內各種物品的可變加權是根據當年本地生產模式而變動(帕許指數)。

2(a) Stagflation is an economic situation in which inflation and economic stagnation occur simultaneously.
滯脹指通脹及經濟衰退同時出現。

3(a) The paradox can be stated as follows. When an individual increases his desired saving, he accumulates more wealth and becomes richer. But an increase in national saving (or aggregate private saving) will result in a fall in national income, making the country as a whole poorer. In the end, the equilibrium level of saving will not increase either.
節儉之謎可陳述如下：當某人增加其意欲儲蓄，他便累積更多財富和變得更富有。但國民儲蓄(或總體私人儲蓄)的增加，會引致國民收入減少，國家整體變得更窮。結果，均衡儲蓄也不會增加。

(b) Depends on in what sense we are looking at the paradox

- An increase in desired saving will shift the IS curve down/leftward, implying a fall in the equilibrium income level. In the sense of making the country as a whole poorer, the paradox applies to this more general case as well.
- At the same time, however, the equilibrium interest rate will also fall, including an increase in the level of investment. Since saving and investment are equal in equilibrium it follows that the equilibrium level of national saving will increase as well. In the sense of lowering the equilibrium level of aggregate saving, therefore, the paradox does not hold in the case.

視乎其意義而定：

- 意欲儲蓄的上升會令 is 曲線向下/左移動，意味著均衡收入水準下降。在令國家整體上較貧窮的意義上，這吊詭也應用在這較一般的情況。
- 但同時均衡利率也會下降，促使投資水準上升。因儲蓄與投資在均衡時相等，故可推斷出均衡國家儲蓄也會上升。在降低均衡總體儲蓄這意義上，這吊詭在這情況不成立。

4(a) The LM curve will shift down/rightward by printing money. This makes equilibrium interest rate falls and boost investment and income.
LM 曲線會因大量增加貨幣供應而向下/右移動，這令利率水準下降，從而使投資及收入回升。

(b) The quantity equation implies that inflation rate is equal to the growth rate of money supply when velocity and output are constant. Thus, the policy will bring higher level of inflation rate.
貨幣量理論意味：當貨幣流速及產出為常數時，通脹率等於貨幣供應增長率。所以，該政策將會帶來一較高的通脹率。

(c) - depreciation of domestic currency.
- widen the gap between wealth and poor/ wealth redistribution.
- 本國貨幣貶值
- 加劇貧富懸殊/ 財富再分配

(d) Developing countries supply cheap labours to the developed countries under globalization. This increases the potential output globally. The quantity equation implies that the growth rate of money supply is equal to inflation rate plus growth rate of output when velocity is constant. When output is growing continuously, the growth rate of money supply may be fully absorbed by it and thus there will be no inflation.

發展中國家在全球化下為已發展國家提供大量廉價勞工，這會令全球的潛在生產上升。貨幣量理論意味：當貨幣流速為常數時，貨幣供應增長率會等於通脹率加生產增長率。所以，當生產的升幅完全被貨幣供應的增長所吸收，便會沒有通脹。

5(a) Appreciation. As it is a common currency, more trade would be settled by it. This raises its transaction demand. Besides, and asset demand of it would increase as people will expect it to appreciate.

升值。作爲共用貨幣，會因處理較多的交易而令交易性需求上升。此外，由於其背後的經濟實力強大，人們會因預期其升值而增加資產性需求。

(b) The asset demand of the common currency would increase under economic depressions owing to risk-aversions. This makes it further appreciates and it is harmful to exports.

該共用貨幣的資產性需求會在經濟衰退時因避險作用而上升。這會加速其升值而對出口有損害。

(c) RMB, as the trade relationship between mainland China and Hong Kong is getting closer and closer.

人民幣，因爲香港與內地的貿易關係越見緊密。

(d) High revaluation expectations: harmful to trade balance of Hong Kong
RMB is not yet freely convertible: violates the principle of full convertibility of the currency board system.

高升值預期：令香港的貿易平衡轉差。
人民幣未能自由兌換：有違發鈔局制度 100%可兌換的原則。

(e) Less fluctuations. Under the linked exchange rate system, inflation in US will increase the importing price of Hong Kong in terms of HKD. Thus, inflation is imported. However, under floating exchange rate, inflation in US will make HKD appreciated, which means the importing price of Hong Kong will not get higher in terms of HKD. Thus, less fluctuations of the domestic price level would be foreseen.

較少波動。在聯繫匯率制度下，美國的通脹會令以港元計算的香港入口價上升，因而輸入通脹。但是，在浮動匯率下，美國的通脹會令港元升值，因而並不會使以港元計算的香港入口價上升。因此可預期，本地價格的波動將會較細。

6(a) Assumes a closed elementary Keynesian model without investment as below:
假設在沒有投資的封閉基本凱恩斯模式如下:

$$C = C1 + (mpc)Yd$$
$$Yd = Y - T$$
$$T = tY$$
$$G = G1$$

其中 C，mpc，Yd，Y，T，t 及 G 依次代表消費支出 (consumption expenditure)、邊際消費傾向 (marginal propensity to consume)、可用收入 (disposable income)、國民收入總額 (national income)、比例入息稅稅率 (proportional tax rate)及政府支出(government expenditure)。C1 及 G1 是常數 (constant)。

均衡收入(Equilibrium income) $Y = C + G = [C1 + (mpc)(Y\text{-}tY)]+G1$
$= [1/1\text{-}mpc(1\text{-}t)]\ (C1 + G1)$

平衡預算(Balance budget), $G1 = tY$

∴均衡收入(Equilibrium income)$Y = [1/1\text{-}mpc(1\text{-}G1/Y)]\ (C1 + G1)$
$Y = (1/1\text{-}mpc)C1 + G1$

(b) The IS curve will be a vertical line. None of the stimulus measures, both monetary and fiscal, can increase income.
IS 曲線會為一垂直線。無論財政或貨幣刺激措施，皆未能使收入增加。

(c) It will have no effects in IS-LM model. The balanced budget expansionary fiscal policy can only drive the price level up under full employment production level. It is an exogenous variable of the model and beyond the analysis of it.

這在 IS-LM 模式中並沒有影響。在全民就業生產水平下，平衡預算擴張性財政政策只能令物價上升。而由於物價在模式中為外生變數，所以此超出了 IS-LM 模式的分析範圍。

(d) In the long run, expansionary fiscal policies must be financed by heavier tax in the future. We cannot guarantee the benefits of the former must be higher than the costs of the latter, as we cannot perfectly predict the business cycle.

長期而言，擴張性的財政政策一定要以將來的加稅所支付。由於我們無法完全準確預測經濟週期，所以我們並不能保證前者的得益一定會大於後者的成本。