

Name: _____

Student id: _____



College of Business Administration
Department of Economics
Aggregate Economic Conditions
ECO 3203-0001
Fall 2000

Lecturer: O. Mikhail

FINAL EXAM

Version A

- This closed book exam is worth 100 points.
The exam totals 40 multiple-choice questions and 2 short essay questions.
Each multiple-choice correct answer is worth 2 points.
The multiple-choice questions are worth 80 points.
The short essay questions are worth 20 points.
Allocate your time accordingly.
- Including the cover page, the exam totals 14 pages.
- Answer ALL questions.
- Answer the multiple-choice questions on the computer sheet.
- **DO NOT** forget to write your name, your student id and the version number on both: the computer sheet and the exam booklet.
- Non-Programmable calculators and language dictionaries are allowed.
- At the end of the exam, hand-in the exam booklet and the computer sheet to the examiner.

December 5, 2000

7:00 – 9:50 a.m.

Short-Essay Questions.

Answer in the given space below each question.

Question I (10 points):

Discuss the circumstances under which the monetary and fiscal policy multipliers are each, in turn, equal to zero. Explain in words why this can happen and how likely you think this is. **USE GRAPHS** to explain.

Question II (10 points):

The Congressional Budget Office (CBO) hires you as a junior economist. Your first assignment is to come up with an economic policy plan that will reduce the United States debt. First, outline all possible plans (or mixed policy plans) to consider. For each plan you present, specify the length of time that it will take to erase the U.S. debt if the plan is adopted. Second, can the debt ever be zero (i.e., erased)? Explain how. Third, choose one plan and explain why your plan is much better. **BE BRIEF AND CLEAR.**