

Name: \_\_\_\_\_

Student id: \_\_\_\_\_

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**College of Business Administration  
Department of Economics  
Aggregate Economic Conditions  
ECO 3203-0001  
Spring 2001**

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**Lecturer: O. Mikhail**

## **Exam II**

### **Version A**

- This closed book exam is worth 100 points.  
The exam totals 20 multiple-choice questions and two short essay questions.  
Each multiple-choice question is worth 4 points.  
The essay questions are worth 20 points.  
Allocate your time accordingly.
- Excluding the cover page, the exam totals 6 pages.
- Answer all questions.
- DO NOT forget to write your name, your student id on the exam booklet.
- Non-Programmable calculators and language dictionaries are allowed.

**2:30 p.m. – 3:45 p.m.**

**BA 212**

**March 21, 2001**

**Short Essay Questions: Each question is worth 10 points.**

a) Explain how the ability of inflation expectations to shift the Phillips curve helps the economy to adjust, automatically, to aggregate supply and demand shocks. Discuss using an example of each shock.

b) “On March 20, 2001, The Federal reserve lowered the Federal rate by 50 basis points to stimulate the economy.” Discuss in details the effects on the U.S. economy in the short run and in the long run (Explain using a graph).