

Economics 100b, Midterm #2 Review Questions

Chapter 11

Day Manoli

1. What does the phrase “Classical Dichotomy” mean? How does the assumption of sticky inflation relate to the Classical Dichotomy?
2. The Short Run Model consists of three curves: the MP curve, the IS curve and the Phillips curve. Illustrate and explain the meaning of each curve.
3. How can a central bank control the nominal interest rate via the money supply?