

**HS 202 Introductory Macroeconomics**

**Mid Semester Examination, 2011**

**Time: 2 Hours**

**Marks: 30**

**Answer all the questions**

1. Discuss the purpose of Fiscal Policy. Also discuss the differences between Expansionary (or loose) Fiscal Policy and Deflationary (or tight) Fiscal Policy. Which fiscal policy will be applicable if a country is facing the condition of hyper inflation? (10 Marks)
2. Define Inflation. Discuss the differences between 'Demand Pull' and 'Cost-Push' Inflation. (10 marks)
3. Define carefully the following and give an example of each: (2x 5=10 marks)
  - a. Consumption
  - b. Gross private domestic investment
  - c. Government consumption and investment purchase(in GDP)
  - d. Government transfer payment (not in GDP)
  - e. exports