



Indian Institute of Technology Patna

Mid Semester Test, Feb-2010

202: Introductory Macroeconomics

(HS-202)

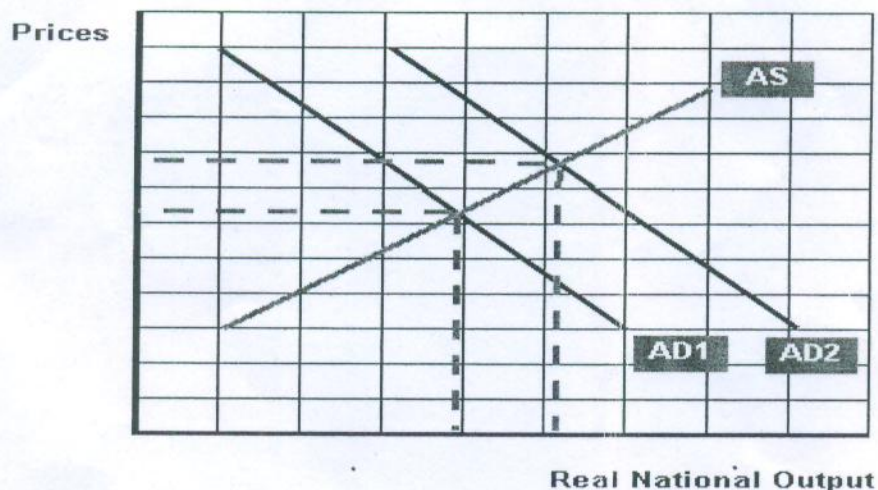
HS-202

Time: 2.00 Hours

Total Marks: 20

Attempt all the questions

1. Explain the 'concept of circular flow of income'? (4 Marks)
2. In the graph below as the Aggregate Supply (AS) curve is not changing what will be the effect of further upward shift in the demand curve on (make a new diagram to show the effects):
 - a. inflation
 - b. government's fiscal policy (3x2=6 Marks)



3. Discuss the link between Fiscal policy and Crowding Out. Your answer should be supported by diagrams. (6 Marks)
4. Is Economic Growth an important tool to measure the economy?

(4 Marks)