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CLASS – 12

ECONOMICS

Introductory Macroeconomics

CH-1 : Introduction

Part – 2

Exercise

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EXERCISE



1 What is the difference between Micro Economics and Macro Economics?



Microeconomics

VS



Macroeconomics

EXERCISE



1 What is the difference between Micro Economics and Macro Economics?

Ans :

Basis	Micro Economics	Macro Economics
Meaning	Studies the behaviour of individual units of an economy.	Studies the behaviour of aggregates of the economy as a whole.
Tools	Demand and Supply are the main tools.	Aggregate Demand and Aggregate Supply are main tools.

EXERCISE



Basis	Micro Economics	Macro Economics
Assumptions	Assumes that all macro variable such as national income, saving, consumption is constant in nature.	Assumes that all micro variable such as price of a specific good is constant in nature.
Other Names	Price Theory	Income and Employment Theory
Example	Individual Income, Individual Output	National Income, National Output.



2 What are the important features of a capitalist economy?





2 What are the important features of a capitalist economy?

Ans :

The economic system where the factors of production such as capital goods, labour, natural resources, and entrepreneurship are controlled and regulated by private businesses.



FEATURES

- The main Objective of the firms is Profit maximization.
- Liberal Economy - (Free market)
- Only the free market will determine the supply, demand, and prices of the products.
- There is no direct government intervention.
- Example : USA, UK, Japan, Singapore, Germany.

EXERCISE



3 Describe the four major sectors in an economy according to the macroeconomic point of view.



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1) Consumer
↓
Household

2) Producers
↓
Firm / Business

3) Government
→ welfare → agent
→ producer → consumer.

4) External
↓
∴ Trading

EXERCISE



3 Describe the four major sectors in an economy according to the macroeconomic point of view.

Ans :

Consumers

1. Household Sector

Producers / Firm

2. Business Sector

3. Government Sector

4. External Sector

Trading

EXERCISE



1. HOUSEHOLD SECTOR
   - ✧ It includes –
     - Consumers of Goods and Services
     - Supplier of factors of production
   - ✧ Households also save and pay taxes.
2. PRODUCER SECTOR (Business)
   - ✧ It includes – all Producing units in the Economy.



3. GOVERNMENT SECTOR

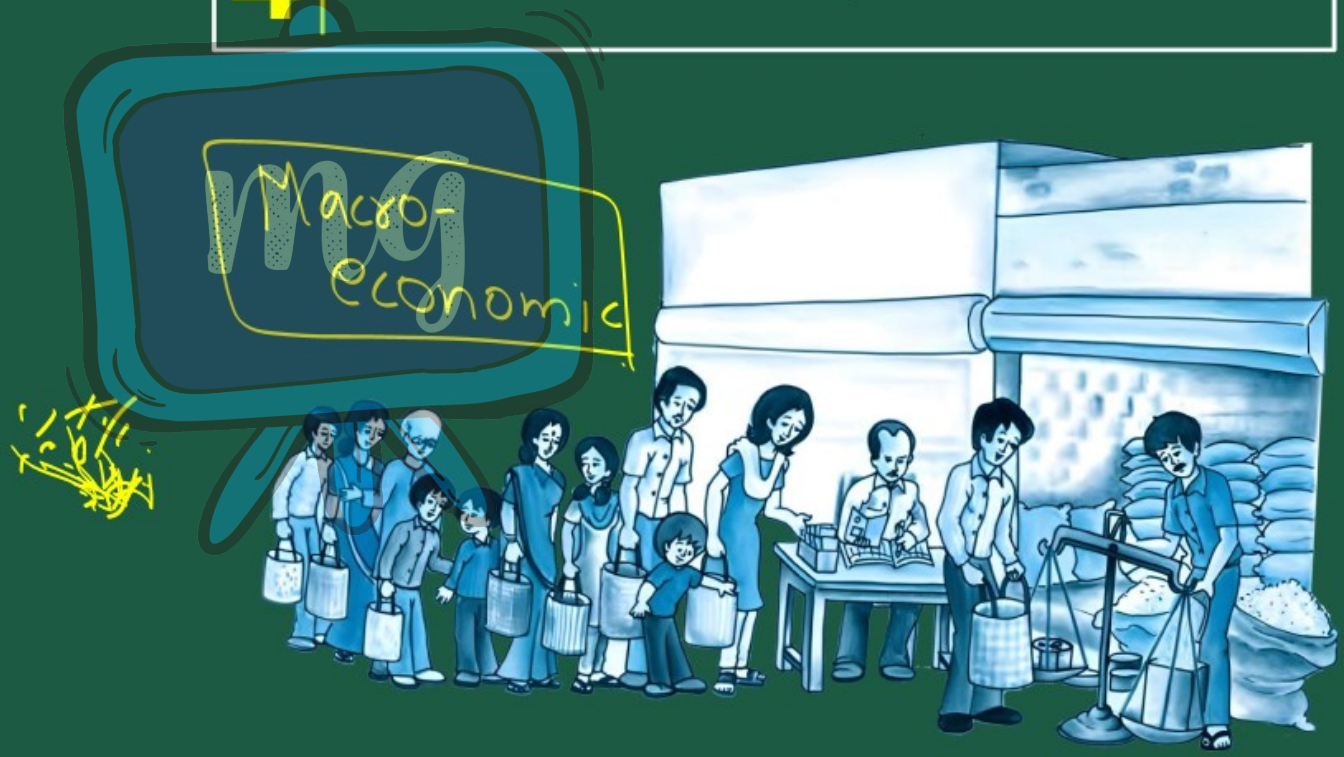
- It includes –
  - Government as a Welfare Agency
  - Government as a Producer
  - Collective consumption
  - Undertakes production development



4. EXTERNAL SECTOR

- It includes –
  - Export and Import of Goods
  - Capital Flow between Domestic Economy and Rest of the World.

4 Describe the Great depression 1929.





4 Describe the Great depression 1929.

Ans :

- From 1929 the output and employment levels in the countries of Europe and North America fall by huge amounts.
- It affected other countries of the world as well.
- Demand for goods in the market was low.
- Uemployment rate rose drastically.