

NCERT Solutions for Class 12 Macro Economics

Chapter 1 – Introduction to Macro Economics

1.

What is the difference between microeconomics and macroeconomics?

Ans: The difference between microeconomics and macroeconomics are:

Microeconomics	Macroeconomics
Refers to the actions, decisions, and motivations of people or businesses.	Talks about the economy as a whole, which includes businesses, governments, and regulatory bodies.
Mostly used to teach how customers act, how prices work, and how marketing works.	It is mostly used to figure out how the market is doing overall, as well as unemployment, growth, and predictions for the market as a whole.
Led by experts such as Alfred Marshall.	Led by experts such as J.M. Keynes.

2.

What are the important features of a capitalist economy?

Ans: The main characteristics of capitalist economics are these.

- Maximizing profit is the primary goal of producers.
- Producers compete, and free enterprise is protected.
- According to quantity and demand, the market sets the price of the good.
- These resources are privately owned.

3.

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

Ans: From a macroeconomic point of view, these are the four most important areas of the economy.

External sector: This sector is dedicated to trading goods and services with other countries. When things made in this country are sent to other countries, that's called an export. When we buy things and services from other countries, we call them imports.

Government: A state or government is responsible for maintaining law and order, growth and security, and running the government. One of the main reasons for having a government is to work on long-term tasks like building dams, roads, and heavy industries. The government makes small but major investments in the health and education sectors and provides these services for free. The job of the government is to help people, not to make money.

Firms: Businesses are economic groups that make things. In order to make money, they hire and handle production factors and carry out production processes.

Households: In addition to providing factors of production like land, labor, capital, and entrepreneurship, households also buy things and services for consumption. The company's industrial market is supplied by households.

4.

Describe the Great Depression of 1929.

Ans:

Starting in 1929, the Great Depression was a very bad time for the economy. It started with the stock market crash in the United States and slowly spread to other parts of the world. The main reason for the crisis is the drop in aggregate demand, which happened because people didn't spend enough and invested too much. Due to not enough demand and too much investment, finished goods started to build up in stock, which led to low prices and, as a result, low profits. The economy's money was turned into finished goods that haven't been sold yet. This caused a big drop in jobs, which in turn caused a big drop in income.

There wasn't much desire for goods in the economy, so production went down, which caused people to lose their jobs. The rate of unemployment in the US had gone up from 3% to 25%. The Great Depression has its own effects and is important to the economy because it shows that the usual way of looking at the economy doesn't work. Keynesianism came about because of people who believed in the forces of supply and demand in the market. This event gave economists enough proof to separate macroeconomics as a separate sector of the economy.