

NCERT Solutions for 12th Class Economics (Macroeconomics): Chapter 1-Introduction



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- Class 12: Economics (Macroeconomics) Chapter 1 solutions. Complete Class 12 Economics (Macroeconomics) Chapter 1 Notes.
- **NCERT Solutions for 12th Class Economics (Macroeconomics): Chapter 1-Introduction**
- NCERT 12th Economics (Macroeconomics) Chapter 1, class 12 Economics (Macroeconomics) chapter 1 solutions
- **Exercises**

- Page No: 7
- 1. What is the difference between microeconomics and macroeconomics?

	Microeconomics	Macroeconomics
Basics of difference		
Meaning	It studies behaviour of an individual economic unit such as a firm, a consumer etc.	It studies behaviour of the whole economy such as national income, aggregate supply etc.
Scope	It has a narrow scope i.e., a consumer, a market etc.	It has a very wide scope i.e., a country
Central problem	Its central problem is price determination.	Its central problem is production and employment determination.
Method	It is based on partial equilibrium i.e., other things being equal.	It is based on general equilibrium.

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Tools	Main tools are demand and supply.	Main tools are aggregate demand, aggregate supply, aggregate saving and investment.
Variables	Major variables are an individual market, price of a commodity, a consumer's demand etc.	Major variables are aggregate consumption, national income.

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- **2. What are the important features of a capitalist economy?**
- **Answer**
- **Features of Capitalist economy:**
- • Private property: It allows individuals to have right over property. They can use their property in the way, they like.
- • Economic Freedom: Capitalist economy grants freedom to decide. The producer will decide 'what to produce'. Also, consumers have the freedom to buy anything they want.
- • Profit making: The main motive of capitalism is profit. All the decisions taken by individuals are for making more profit.
- • Price mechanism: Prices of commodities are determined by the demand and supply factor without any interference by the government or any external forces.
- • Less role of government: The government only provides basic framework for the smooth functioning of economy. It does not take part in day-to-day economic activity.
- • Competition: It means presence of large number of buyers and sellers in the market. There is fair competition between them that determines the production, consumption and distribution of goods and services.

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- *Laissez Faire*: Capitalist economy works under *Laissez Faire*. It has minimum state intervention in economic activities.
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- 3. Describe the four major sectors in an economy according to the macroeconomics point of view.
- **Answer**
- According to the macroeconomics point of view, four major sectors in an economy are described below:
 - **Household Sector**: Households buy goods and services to satisfy their wants. This sector spends their income for purchasing goods and services and paying taxes.
 - **Firms**: This sector employs and organises factors of production and is engaged in producing various goods and services for profit making.
 - **Government**: This sector frames and enforces laws and delivers justice. They impose taxes and spend money on building public infrastructure, running schools, colleges, providing health services etc. In many instances, they also undertake production activities however their motive is not to earn profits.
 - **External Sector**: This sector is engaged in external trade i.e., exports and imports of goods and services. When a domestic country sells goods to the rest of the world then it is called exports and when goods and services are purchased from the rest of the world it is called imports.
- **4. Describe the Great Depression of 1929.**
- **Answer**
- The Great Depression was an economic crisis that started in 1929 and continued for several next years. It began in the United States of America after the stock market crash. The main cause behind it was the fall of aggregate demand due to under consumption and over investment. The output and employment levels in the countries of Europe and North America fell by huge amounts. It affected the whole world. The demand of the goods in the market during this period was very low so production was also lowered which led to

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unemployment. In USA, from 1929 to 1933, unemployment rate rose from 3 per cent to 25 per cent.



Chapterwise NCERT Solutions for Class 12 Economics (Macroeconomics):

- Chapter 1 - Introduction to Macro Economics
- Chapter 2 - National Income
- Chapter 3 - Money and Banking
- Chapter 4 - Determination of Income and Employment
- Chapter 5 - Government Budget and the Economy
- Chapter 6 - Open Economy

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Organise pre-service and in-service training of teachers; develop and disseminate innovative educational techniques and practices; collaborate and network with state educational departments, universities, NGOs and other educational institutions; act as a clearing house for ideas and information in matters related to school education; and act as a nodal agency for achieving the goals of Universalisation of Elementary Education.

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