

I Choose the correct answer. (Each question carries 1 marks)

1. The individuals or institutions which take economic decisions are:

- a) Economic variables b) Economic Agents c) Economists d) none of the above.

Ans: b) Economic Agents.

2. In 1936 British economist J.M.Keynes published his celebrated book.

- a) Wealth of Nations c) General theory of employment, interest and Money.
b) Theory of interest d) Theory of employment

Ans: (c) General theory of employment, interest and Money.

3. All the labourers who are ready to work will find employment and all the factories will be working at their full capacity, this school of thought is known as

- a) Modern thought b) Classical thought c) Contemporary thought d) none of these

Ans: (c) Classical thought

4. The year of Great Depression

- a) 1920 b) 1889 c) 1929 d) 2018

Ans: (c) 1929

5. In a capitalist country production activities are mainly carried out by

- a) Private enterprises b) Planning authority c) Government authority d) None of the above

Ans: (a) Private enterprises.

II Fill in the blanks: (Each question carries 1 marks)

1. tries to address situation facing the economy as a whole.

Ans: as a whole

2. Purchase of goods by the domestic country from the rest of the world is called

Ans: imports

3 . The domestic country may sell goods to the rest of the world. These are called.....

Ans: Exports

4.will be called as firms.

Ans: Production units

5.Policies are pursued by the state itself or statutory bodies like RBI, SEBI etc.

Ans: Macroeconomic

III Answer the following questions in a sentence or word. (Each question carries 1 marks)

1. Who are economic agents?

Ans: Economic agents are those individuals or institutions which take economic decisions. They can be consumers, producers, Government, Corporation, Banks etc.

2. What does classical school of thought say?

Ans: The classical school of thought says that all the labourers who are ready to work will find employment and all the factories will be working at their full capacity.

3. Give the meaning of imports.

Ans: When the economy buys goods from the rest of the world, they are called imports.

4. Name the well known work of Adam Smith.

Ans: An Enquiry into the Nature and Cause of the Wealth of Nations.

5. What do you mean by wage rate?

Ans: The price paid for purchase of labour services is called wage rate.

IV Answer the following questions in 4 sentences. (Each question carries 2 marks)

1. What are the features of capitalistic economy?

Ans: The important features of a capitalist of economy are as follows:

- there is private ownership of means of productions.
- Production takes place for selling the output in the market.
- there is sale and purchase of labour services at a price which is called wage rate.
- A typical capitalist enterprise has one or several entrepreneurs and exercise control over major decisions.
- the entrepreneurs may themselves supply the capital needed or they may borrow the capital.

2. Name and write the meaning of two kinds of trade in external sector.

Ans: The two kinds of Trade in external sector are exports and imports.

- A country may sell goods to the rest of the world – Exports.
- A country may buy goods from other countries – Imports.

3. Who are the macroeconomic decision makers?

Ans: The macroeconomic decisions makers are State itself or statutory bodies like the Reserve Bank of India, Securities and Exchange Board of India and similar institutions. Each such statutory body will have one or more public goals to pursue as defined by law or the constitution of India itself. The government, RBI, SEBI (security exchange board of India) and similar institutions etc.,

V Answer the following questions in 12 sentences. (Each question carries 2 marks)

1. Briefly explain in what way Macro Economics is different from Micro Economics.

Ans: The micro and macro economics are distinguished on the following grounds:

Scope: • Micro Economics study in individual units so its scope is narrow.

- Macro Economics study in aggregates, so its scope is wider.

Method of study: • The Micro Economics follows slicing method as it studies individual unit.

- The Macro Economics follows lumping method as it studies in aggregates.

Economic Agents: • In Micro Economics, each individual economic agent thinks about its own interest and welfare.

- In Macro Economics, economic agents are different among individual economic agents and their goal is to get maximum welfare of a country.

Equilibrium: • Micro economics studies the partial equilibrium in the country.

- Macro Economics studies the general equilibrium in the economy.

Domain: • Micro economics consists of theories like consumer's behaviour, production and cost, Rent, Wages, Interest, etc.

- Macro economics comprises of theory of income, output and employment, Consumption Function, Investment function, Inflation, etc.

Micro Economics	Macro Economics
*it is the study of individual unit of the economy.	*It is the study of economy as a whole.
*it deals with individual income, price, individual output etc....	*it deals with aggregates like national income total output, general price level etc....
*Its main tools are demand and supply of a particular commodity	*its main tools are aggregate demand and supply of the economy as a whole.
*It helps to solve the problem of what, how and for whom to produce? in the economy.	*it helps to solve the problem of unemployment and efficient allocation of resources in the economy.
*It studies the equilibrium of an individual or a firm.	* It studies the achievement of equilibrium of an economy.
*ex; individual income savings, price determination of a commodity firm's output, consumer's equilibrium etc....	*ex; national income aggregate savings, general price level. Aggregate supply, demand, poverty unemployment etc....
The pioneer of micro economics is Alfred Marshall	The pioneer of macroeconomics is J M Keynes.

2. Explain the working of the economy of a capitalist country.

Ans: Capitalist economy can be defined as an economy in which most of the economic activities have the following characteristics:

- a) There is private ownership of means of production.
- b) Production takes place for selling the output.
- c) There is sale and purchase of labour service at a price called wage rate.

In a capitalist country production activities are mainly carried out by capitalist enterprises. A typical capitalist enterprise has one or several entrepreneurs. Entrepreneurs are those who exercise control over major decisions and bear a large part of the risk associated with the firm. They may themselves supply the capital needed to run the enterprise or they may borrow the capital.

To carry out the production they also need natural resources. They need the most important element of human labour to carry out production. This is called as labour. After producing output with the help of land, labour and capital, the entrepreneur sells the product in the market to earn money called revenue. Part of the revenue is paid out as rent for land, interest for capital and wage for labour and keeps the rest of the revenue as profit.

Profits are often used by the producers in the next period to buy new machinery or to build new factories, so that production can be expanded. These expenses which raise productive capacity are examples of investment expenditure.

3. Explain the role of the Government (State) and household sector in both developed and developing countries.

Ans: Role of Government: In both the developed and developing countries, apart from capitalist sector, there is the institution of State. The role of the state includes framing laws, enforcing them and delivering justice. The State here refers to the Government which performs various developmental functions for the society as whole. It undertakes production, apart from imposing taxes and spending money on building public infrastructure, running schools, providing health services etc. These economic functions of the state have to be taken into account when we want to describe the economy of the country.

Role of Household sector: By household we mean a single individual who takes decisions relating to her own consumption or a group of individuals for whom the decisions relating to consumption are jointly determined. Households consist of people. These people work in firms as workers and earn wages. They are the ones who work in government departments and earn salaries or they are the owners of firms and earn profits. Therefore, the market in which the firms sell their products could not have been functioning without the demand coming from the households. Further, they also earn rent by leasing land or earn interest by lending capital.