

NCERT SOLUTIONS

CLASS - 12th



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Class : 12th

Subject : Economics

Chapter : 1

Chapter Name : Introduction

Q1 What is the difference between microeconomics and Macroeconomics

Answer. Microeconomics and Macroeconomics are the two branches of study of economics. Both of them deal in the subject differently. Here are the key differences between the two branches.

Basis	Microeconomics	Macroeconomics
1. Definition	It deals with the individual economic units and individual economic variables.	It deals with the economy as a whole. It don't focuses on the individual units rather combines all the units to study them.
2. Tools	Its main tools are the demand and supply of the individual units.	Its main tools are the aggregate demand and aggregate supply in the economy.
3. Central problem	It deals with determination of price and the efficient allocation of resources.	It deals with the determination of level of income of the whole economy and also in determining unemployment in the economy.
4. Examples -	It may include individual demand, individual supply, individual investment and savings etc.	It includes national income, aggregate demand, aggregate supply, unemployment etc

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Q2 What are the important features of a capitalist economy?

Answer. The capitalist economy refers to that economy in which all the resources are held by the private owners. It's main features are explained below -

- There is a private ownership of the factors of production and all other resources.
- The main objective of this economy is to maximise profits. The seller wants to do so by selling his produce at highest possible cost to earn maximum profits.
- There is no restriction on the private ownership of the property.
- The price of the commodities is determined by the market forces of demand and supply. The equilibrium is obtained where the demand and supply are equal.
- There is a possibility of gap between the rich and the poor. The rich may become richer while the poor become poorer.

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Q3 Describe the four major sectors in an economy according to the Macroeconomic point of view.

Answer. There are four major sectors in an economy which are - household, firm, government and the external sector.

The household sector consists of those individuals or individual groups which work in firms and earn money and then spend it to get satisfaction.

The firm sector is the sector which is engaged in the production process. It generates utility by providing goods and services.

The government is the regulatory body which controls the other sectors and also provide basic infrastructural facilities to them.

The external sector is the sector which consists of exporters or importers. Exporters supply the goods from India to other countries while Importers purchase goods from abroad. This sector is present in an open economy.

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Q4 Describe the Great Depression of 1929.

Answer. The Great Depression of 1929 was a major drawback of the traditional economic approaches. It took place in North America and European countries and continued for approx 10 years. During this period, the unemployment rose by 3% and the production lacked behind by 33%. The investors were hesitating in making investment in the market thereby leading to less productivity. This lead to fall in the employment.

The US stock markets crashed down, resulting in heavy losses to the companies. People saved their money and hesitated to invest it. This resulted in huge losses to banks. Another major cause was draught. People were suffering from low income and unemployment. The inventory of the firms started to pile up and thus production fell down. This in turn lead to severe unemployment. All these factors caused the Great Depression of 1929.

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