

Chapter 1: Introduction

NCERT · Class 12 · Economics · Macroeconomics

Questions

Question 1

What is the difference between microeconomics and macroeconomics?

Solution

Microeconomics

- Deals with the behaviour, choices and incentives of individuals or individual companies.
- Pioneered by economists such as Alfred Marshall
- Can be used to explain consumer behaviour, the theory of price and marketing principles.

Macroeconomics

- Deals with the economy as a whole, including governments, corporations and regulatory institutions.
 - Pioneered by economists such as J.M. Keynes
 - Can be used to explain aggregate market performance, unemployment, growth and overall market predictions.
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Question 2

What are the important features of a capitalist economy?

Solution

These are the important features of a capitalist economy

- The means of production are privately owned.
 - The maximization of profit is the main motive for the producers.
 - The market determines the price of the product based on demand and supply.
 - There is competition among the producers and free enterprise is ensured.
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Question 3

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

Solution

These are the four major sectors in the economy according to the macroeconomic point of view.

- i) The production sector that is responsible for the production of goods and services
- ii) The household sector that consumes the goods and services produced in the economy
- iii) The government sector that is responsible for framing laws and regulating policies that affect the economy and the people.
- iv) The external sector that refers to the rest of the world which is interconnected through trade. (Exports and Imports)

Question 4

Describe the Great Depression of 1929.

Solution

The Great Depression of 1929 was one of the worst economic depressions in the history of the world. It began when the U.S. stock market crashed in 1929 and lasted until the end of the 1930s. Several causes are considered to be responsible for this period of economic downturn. Raising debt levels, fall in profits and the gold standard system are some attributed causes.

The Great Depression led to a series of problems for the economy and the people. There was a drastic decrease in production and consumption in the economy. The rate of unemployment skyrocketed, resulting in hardships across the population. A lot of prominent banks failed and ran out of business. Eventually, the great depression shaped the politics of the U.S. and laid the foundations for The New Deal.

NCERT Solution for Class 12 Economics Chapter 1 – Introduction gives a brief presentation about the subject.

Chief concepts of this introductory chapter –

- Macroeconomics – It deals with the aggregate economic variables of the economy.
- Revenue – The money that is earned is called revenue.

Conclusion
