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Answers Key:

5 Marks

1. **National Income:**
   (i) Measurement of national income and its composition by sectors are the basic aspects of macro economic analysis.
   (ii) It gives a long term understanding of the growth process of an economy.
   Inflation:
   (i) Estimating the general price level based on wholesale price, index, consumer price.
   Business Cycle:
   (i) Cyclical movements can be studied based on aggregate economic variables.
   Poverty and Unemployment:
   (i) Clear understanding about the magnitude of poverty and unemployment helps allocation of resources and adapting corrective measures.
   Economic Growth:
   (i) The growth and development of an economy and the factors determining them could be understood only through macro analysis.
   Economic Policies:
   (i) Macro Economics is used to frame economic policies.
   (ii) Economic policies are used to solve the basic problems, to overcome the obstacles and to achieve growth.

3 Marks

2. (i) Macro economics helps to understand the functioning of the economy at the aggregate level, to evolve strategies to solve the basic problems.
   (ii) To understand the future problems, needs and challenges.
   (iii) To provide opportunities to use scientific investigation to understand reality.
   (iv) To make meaningful comparison and analysis of economic indicators. To predict the future and formulate suitable policies to avoid economic crises.
3. (i) The means of production and properties are owned by private and public.
   (ii) Public and Private Sectors co-exist private sectors are profit motivated and public sectors aims at maximum social welfare.
   (iii) The national plans prepared by the central planning authority is accepted by all sectors.
   (iv) Basic economic problems are solved through the price mechanism and state intervention.
   (v) Though the private can own resources, produce and distribute goods and services, the overall control on the economic activities is with the government.

2 Marks

4. Macro economics is the branch of economics that studies the behaviour and performance of an economy as a whole.
5. (i) Inflation refers to steady increase in general price level.
   (ii) The General price level is based on Wholesale Price Index, Consumer Price Index.
6. (i) Capitalism is a system where the means of production are privately owned.
   (ii) Market determines the economic activities (e.g.) The USA, Japan.
7. (i) A Model is a simplified representation of real situation.
   (ii) Economists use models to describe economic activities, their relationships and their behaviour.
8. (i) Circular flow of income is a model of an economy showing connections between different sectors of an economy.
   (ii) It shows flows of income, goods and services and factors of production between economic agents such as firms, households, government and nations.

Multiple Choice Question

9. (d) Micro and Macro
10. (c) Ragnar Frisch
11. (b) J M Keynes
12. (b) Income Theory
13. (d) aggregates
14. (b) General Theory
15. (a) Capitalistic Economy
16. (b) Karl Marx
17. (c) income