**Macro Economics**

**September 2023 Examination**

**1. Fiscal policy is the most powerful tool of achieving macroeconomic goals. Do you agree with this statement? Give reasons to support your answer (10 Marks)**

**Ans:**

**Introduction:**

Economic coverage refers to using government spending and taxation to steer an economy's ordinary health and overall performance. It is an essential tool governments use to attain macroeconomic goals, such as promoting economic increase, lowering unemployment, controlling inflation, and ensuring balance. But whether the financial policy is, the most powerful tool for accomplishing those dreams is arguable. In this essay, we can examine the concept and application of economic policy and explore its effectiveness in achieving macroeconomicIt is only half solved

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**2. How does the addition of the government sector to the two sector model change the structure of the model and of the circular flows (10 Marks)**

**Ans:**

**Introduction:**

The 2-zone model of the economy, also known as the circular flow model, provides a simplified representation of economic activities related to families and corporations. But the government region plays a vital role within the financial system by implementing policies, collecting taxes, and supplying public goods and services. In this essay, we will explore how the addition of the authorities region alters the shape of the version and the circular flows.

**Concept & application:**

The two-sector model accommodates the main actors: families and corporations. Households

**3. a. From the following data, calculate National Income (5 Marks)**

|  |  |
| --- | --- |
| **Items** | **Rs (in crores)** |
| **Private Final Consumption Expenditure** | **2000** |
| **Government Final Consumption Expenditure** | **1000** |
| **Net Domestic Capital Information** | **800** |
| **Net Exports** | **-20** |
| **Net Factor Income from Abroad** | **-10** |
| **Net Indirect taxes** | **370** |

**Ans:**

To calculate the national income, we need to apply the Expenditure approach, which involves summing up all the additives of expenditure in a financial system. The components for calculating national income the use of the Expenditure method are as follows:

National Income = Private Final Consumption Expenditure + Government Final Consumption

**b. Relationship between inflation and unemployment (5 Marks)**

**Ans:**

**Introduction**:

The connection between inflation and unemployment has been a topic of outstanding interest and debate among economists for many years. These two macroeconomic variables are interconnected and regularly impact every different in complex ways. Understanding the relationship between inflation and unemployment is crucial for policymakers and primary banks