

ASSIGNMENT (BE)

NAME:- M Umais Malik

Roll No:- 3001

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Q What are the main features of macroeconomics policies?

Macroeconomics

"It is a branch of economics in which aggregates of an economy are discussed".

e.g.,

National income, Investment, Economic planning, etc.

Main Policies/Features of Macroeconomics;

1. Fiscal Policy

"Policy to affect aggregate demand by altering government expenditure and/or taxation".

According to Samuelson,

"Fiscal policy is concerned with all those arrangements which are adopted by government to collect the revenue and make the expenditures so that economic stability could be attained/maintained without inflation and deflation".

Tools of Fiscal Policy

1- Government expenditures (G):-

The money government spends on things like schools, hospitals, roads, and other public services, is known as government expenditures in fiscal policy.

This spending can affect the economy and people's lives.

2- Taxes (T) :-

Taxes in fiscal policy are how the government collects money from individuals and businesses to fund public services.

- Direct taxes are taken directly from your income, like income tax.
- Indirect taxes are added to the cost of things you buy, like sales tax.

3- Deficit financing :-
Government borrowing and printing of new notes.

4- Subsidies :-

Subsidies in fiscal policy are financial aids or payments provided by the government to support specific industries, businesses, or activities, helping them thrive or reducing costs.

5- Transfer payments like unemployment allowances, stipends and scholarships.

Objectives of Fiscal Policy

1- Price Stability :-

Price stability in fiscal policy means trying to keep the prices of things as steady as possible so they don't go up or down too fast.

2- Influencing the Consumption Pattern :-

It is about using government tools to guide how people spend their money to support particular economic activities.

3- Redistribution of Income :-

It means the government's

effort to move money from wealthier individuals or businesses to those with lower incomes. This is done through taxes and social programs to help reduce income inequality in society.