ASSIGNMENT

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★ National Macroeconomics Policy:

National macroeconomic policy refers to the strategies and measures that a government take to control and manage overall economic performance of their country.

There are three types of macroeconomic policy:

(1) Fiscal Policy:

Fiscal Policy is an important part of a government's economic policy toolset. It entails the use of government revenue and expenditure to impact a country's overall economic health and stability.

There are two ingredients of fiscal policy:

i) Government Expenditure:

This includes the funds allocated for various public programs and services, such as infrastructure development, education, healthcare and defence.

ii) **Taxation (Revenue):**

Taxation is the primary means by which the government collect funds from individuals and businesses to finance its expenditure. Taxes can take various forms, including income taxes, sales taxes corporate taxes and more.

→ Objectives of Fiscal Policy:

- Stimulating economic growth by increasing government spendings on infrastructure, research and development.
- Controlling inflation by reducing aggregate demand when economy is overheating and increase when the economy is in slump.
- Reducing unemployment rates through government jobs creation programs and other labor market interventions.
- Implementing progressive tax polices and social welfare programs to reduce income inequality and poverty.
- Maintaing sustainable fiscal positions by ensuring that revenues match expenditure, reducing deficits and controlling natinal debt.
- Using fiscal measures to stabilize the economy.
- Providing essential public goods and services, such as healthcare, education, national defence etc.

② Monetary Policy:

Monetary Policy is the management of a nation's money supply, interest rates. and overall financial conditions by a central bank. Its aim is to influence the economy's performance by controlling the availability and cost of money, with the objective of achieving specific economic goals.

Monetary Policy can be broadly categorized into two types:

i_ Quantitative

~~The goal of Qualitative Monetary policy. is to change the makeup and conduct of financial system, notably banks and other financial institutions.~~

Key tools of Quantitative Monetary Policy are:

i) Bank Rate:

Bank Rate is the interest rate at which a central bank lends money to commercial banks and financial institutions with in the country.

ii) Open Market Operation (OMOs):

Open market operation involves buying and selling of government securities (such as bonds) on the open market. Goal is to influence money supply, short-terms interest rates, and overall financial conditions in economy.

iii) **Reserve Requirement:**

Reserve Requirement specify the percentage of their deposits that commercial banks are required to hold in reserve in the form of cash. It is a tool used by central bank to increase or decrease the money supply in economy.

iv) **Margin Requirements:**

Margin Requirements also known as margin regulations are financial rules that govern the amount of funds, an invester must personally contribute when borrowing money to invest in financial assets.

v) **Credit Ceilings:**

In monetary policy credit ceilings usually refer to specific limits or restrictions that a central bank might impose on the total amount of credit or loans that banks can extend to borrowers.

ii_ Qualitative

Key tools of Qualitative Monetary policy are:

i) Moral Suasion:

Moral suasion is a qualitative method of credit control, being used by the central bank. Central bank just only uses its moral influence on commercial banks. It includes advice, suggestions request and persuation with the commercial banks to co-operate.

ii) Consumer Credit Control:

It refers to the supervision of consumer credit provided by banks. It is a step used by central banks to control the quantity of credit that consumers have access to, in order to meet certain economic and monetary policy goals.

iii) Direct Action:

If commercial banks do not follow the credit guidelines of central bank then central bank can impose a penalty or refuse to discount bill of exchanges of commercial banks.

iv) Publicity:

Publicity generally refers to the communication techniques and methods used by central banks and other monetary authorities to inform the general public, the financial markets and other stakeholders about the central bank's judgement, deeds, and monetary policy goals.

③ Commercial Policy:

Commercial policy also called trade policy, refers to the set of government measures, regulations and actions that a country uses to manage its international trade relationships, control the flow of goods and services accross the borders and influence the terms of trade with other nations.

→ Objectives of Commercial Policy:

* To appericiate trade with other nations.
* To protest domestic market prevailing in country.
* Expanding domestic market by increasing exports of particular products.
* To encourage the imports of capital goods for speeding up the economic development of country.
* To restrict the imports of goods which create