

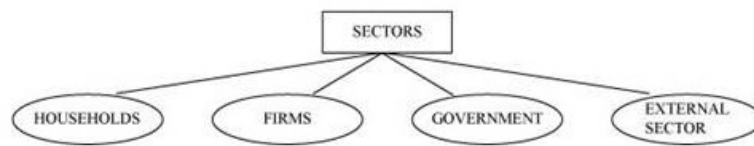


Q3. Describe the four major sectors in an economy according to the macroeconomic point of view.

Ans: The four major sectors of an economy according to the macroeconomic point of view are:

- i. Households
- ii. Firms
- iii. Government
- iv. External sector

These can be represented in the following flow chart:



i. Households: Households buy goods and services for consumption and also supply factors of production like land, labour, capital, and entrepreneur. Households provide the market for the output of the firms.

ii. Firms: Firms are economic units that carry out the production. They employ and organize factors of production and undertake production process for the motive of profit making.

iii. Government: A state/government provides law and order, maintains growth and stability and provides administrative services. The main motive of a government is to undertake developmental projects such as dams, roads, heavy industries that usually have long gestation periods. The government invests in education, health sector and provides these services at nominal price. The motive of a government is to serve and not to make profits.

iv. External sector: This sector is engaged in export and import (external trade) of goods and services. If domestically produced goods and services are sold to the rest of the world, then it is called export. If the goods and services are purchased from the rest of the world, then it is called import.

\*\*\*\*\* END \*\*\*\*\*