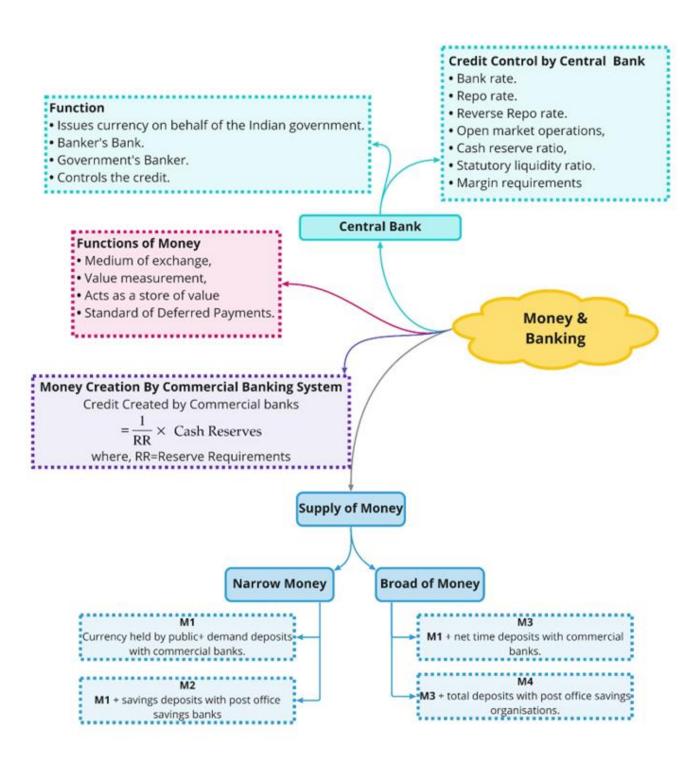




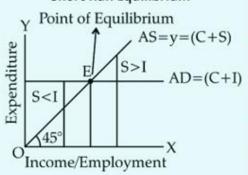
Class: 12th Economics (Macroeconomics) Chapter-3: Money & Banking





Class: 12th Economics (Macroeconomics) Chapter-4: Income Determination





Marginal Propensity to Consume Ratio of change in consumption to change in income. Symbolically,

$$MPC = \frac{\Delta C}{\Delta Y}$$

Average Propensity to Consume

Ratio of total consumption to total income. Symbolically, APC = C/Y

Full Employment

The employment is a situation in which all available resources are being used in most economic ways

Propensity to Consume

Income Determination

Problematic Situations their & Measures

Involuntary Unemployment

Involuntary unemployment occurs when a person is willing to work at the prevailing wage but is unemployed.

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- Problems
- Rise in prices,
- Rise in inflation,
- Deficit currency value.

Propensity to save

Aggregate Demand

Average Propensity to save

Ratio of total savings to total income. Symbolically, APS = S/Y

Meaning

It refers to a situation in which aggregate demand is an excess of aggregate supply corresponding to full employment level.

Marginal Propensity to Save

Ratio of change in savings to change in income. Symbolically MPS = $\Delta S/\Delta Y$

Investment Multiplier

- Ratio of change in income to change in investment.
- $\bullet K = \frac{\Delta Y}{\Delta I}$

Deficit Demand

Excess

Demand

Components

- Consumption → (c)
- Investment → (I)
- Government spending → (G)
- Net exports → (X M)

Meaning

It refers to a situation where aggregate demand is deficit of aggregate supply.

Problems

- Involuntary unemployment,
- · Price falls,
 - Lock out of industries.

Meaning

Total planned expenditure on goods and services in a n economy during a period of time.

Measures

- Change in government saving,
- Change in availability of credit,
- Change in quantitative investments like bank rate, SLR,
- · Change in government policies.





Class: 12th Economics (Macroeconomics) Chapter-5: The Government Budget: Function And Scope Calculation Meaning Calculation Calculation Gross fiscal deficit = Fiscal deficit is the Revenue deficit = Revenue Gross primary deficit = Gross Total expenditure – difference between expenditure - Revenue Receipt [revenue receipts + fiscal deficit - net interest government's total non debt creating liabilities. expenditure and its Meaning total receipt excluding : capital receipts] The revenue deficit refers to borrowings. Meaning the excess of government's The goal of measuring primary revenue expenditure over deficit is to focus on present revenue receipts. fiscal imbalance. Revenue Deficit **Primary Deficit** Fiscal Deficit Measures of Government Deficit The Government **Budget: Function And Scope** Objectives Meaning Government · Reallocation of resources. A government budget is a Budget · Reducing inequalities in income government document and wealth. presenting the · Economic stability. government's proposed · Management of public enterprises. revenues and spending for a financial year. Components Capital Account Revenue Account **Capital Receipt** Revenue Expenditure Borrowings, Administrative expenses, · Recovery of loans, Social welfare expenses, etc. · Other receipts, e.g., proceeds from disinvestment etc. **Revenue Receipts Capital Expenditure** Tax Revenue, Expenditure on purchase of shares. Non-tax Revenue e.g., free fines, etc. Expenditure of building infrastructure, etc.



Class: 12th Economics (Macroeconomics) Chapter-6: Open Economy Macroeconomics

Balance of Payment Deficits It is a situation in which import of goods, services, investment, income and transfers exceed the exports of goods, services, investment, income and transfers. **Fixed Exchange Rate**

It is the type of exchange rate where a currency's value is

determined by the government against the value of another single currency or to a basket of other currencies or to another measure of value such as, gold.

Flexible Exchange Rate

It isatype of exchange rate which is determined by the market that can rapidly change due to supply and demand and are not pegged nor controlled by central banks.

Foreign Exchange Rate

Managed floating is a mixture of a flexible exchange rate system and a fixed rate system. Under this system, central banks intervene to buy and sale foreign currencies in an attempt to moderate exchange rate movements whenever they feel that such actions are appropriate.

Capital Account

It includes those entries which cause a change in the assets or liabilities of the residents of a country or its government.

Determination of Exchange Rate in Free Market

In a free market, the exchange rate between currencies is determined by demand and supply of the market.

Open Economy Macroeconomics (Balance of Payment)

Exchange Rate

Foreign

Balance of Payment Account

Balance of Payment Account

The balance of payment account records the transactions i n goods, services and assets between residents of a country with the rest of the world for a specified time period typically one year.

Meaning

Current Account

Current account generally includes visible goods, invisible goods and unilateral transfers.