

Christian Matriculation Higher Secondary School, Oddanchatram.

XII Economics (Chapter wise Definitions)

Chapter 01

Introduction to Macro Economics

1. Define. Macro Economics.

It is derived from the Greek word 'Makros' meaning 'large'.

It deals with aggregates.

Macro Economics is also known as 'Income Theory'.

2. Define. Circular Flow of Income.

The circular flow of income is a model of an economy showing connections between different sectors of an economy.

Chapter 02

National Income

1. Define National income.

The total money value of all final goods and services produced in a country during a particular period of time

2. Define GDP deflator.

GDP deflator is an index of price changes of goods and services included in GDP.

It is a price index which is calculated by dividing the nominal GDP in a given year by the real GDP for the same year and multiplying it by 100.

$$\text{GDP deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

Chapter 03

Theories of Employment and Income

1. Define full employment.

Keynes defines full employment as the absence of involuntary unemployment

Chapter 04

Consumption and Investment Functions

1. Define average propensity to consume (APC).

The average propensity to consume is the ratio of consumption expenditure to any particular level of income.”

$$APC = C / Y$$

2. Define marginal propensity to consume (MPC).

The marginal propensity to consume may be defined as the ratio of the change in the consumption to the change in income.

$$MPC = \Delta C / \Delta Y$$

3. Define average propensity to save (APS).

The average propensity to save is the ratio of saving to income.

APS is the quotient obtained by dividing the total saving by the total income.

$$APS = S / Y$$

4. Define Marginal Propensity to Save (MPS).

Marginal Propensity to Save is the ratio of change in saving to a change in income.

MPS is obtained by dividing change in savings by change in income

$$MPS = \Delta S / \Delta Y$$

5. Define Multiplier.

The multiplier is defined as the ratio of the change in national income to change in investment.

If ΔI stands for increase in investment and ΔY stands for resultant increase in income.

$$K = \Delta Y / \Delta I.$$

6. Define Accelerator.

Accelerator is the numerical value of the relation between an increase in consumption and the resulting increase in investment.

$$\text{Accelerator } (\beta) = \Delta I / \Delta C$$

Chapter 05

Monetary Economics

1. Define. Inflation.

According to Coulbourn “ Too much of Money chasing too few goods”

According to Gregorye “ A state of abnormal decrease in the quantity of purchasing power”

Chapter 06

Banking

1. Define Commercial banks.

According to Crowther “ The Banker’s business is to take the debts of other people to offer his own in exchange and there by create money”.

2. Define Central bank.

“A central bank is an institution that manages a state currency, money supply and interest rate”

Chapter 07

International Economics

1. Define. International trade.

It refers to the trade or exchange of goods and services between two or more countries.

It is also called as ‘External trade’ or ‘Foreign trade’ or ‘Inter-Regional trade’.

2. Define. Terms of Trade.

Terms of Trade is the rate at which the goods of one country are exchanged for goods of another country.

It is expressed as the relation between export prices and import prices.

Chapter 9

Fiscal Economics

1. Define. Public finance.

According to Adam Smith “Public finance is an investigation into the nature and principles of the state revenue and expenditure”

Chapter 10
Environmental Economics

1. Define. Global warming.

- ✓ Global warming is the current increase in temperature of the Earth's surface (both land and water) as well as its atmosphere.
- ✓ Average temperatures around the world have risen by 0.75°C (1.4°F) over the last 100 years

Chapter 11
Economics of Development and planning

1. Define. Economic Planning.

➤ According to Dalton, "Economic Planning in the widest sense is the deliberate direction by persons in charge of large resources of economic activity towards chosen ends".

(or)

➤ According to Robbins, "Economic Planning is "collective control or suppression of private activities of production and exchange"

Chapter 12
Introduction to Statistical methods and Econometrics

1. Define .Correlation

Correlation is a statistical device that helps to analyse the co variation of two or more variables.

Correlation is the relationship between two or more variables, which vary with the other in the same or the opposite direction