GOVERNMENT DEGREE COLLEGE RANGASAIPET WARANGAL

(Affiliated to Kakatiya University)

DEPARTMENT OF ECONOMICS

STUDENT STUDY PROJECTS

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Title

Basic Concepts of Macro Economics

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1Q:) macro economics :-

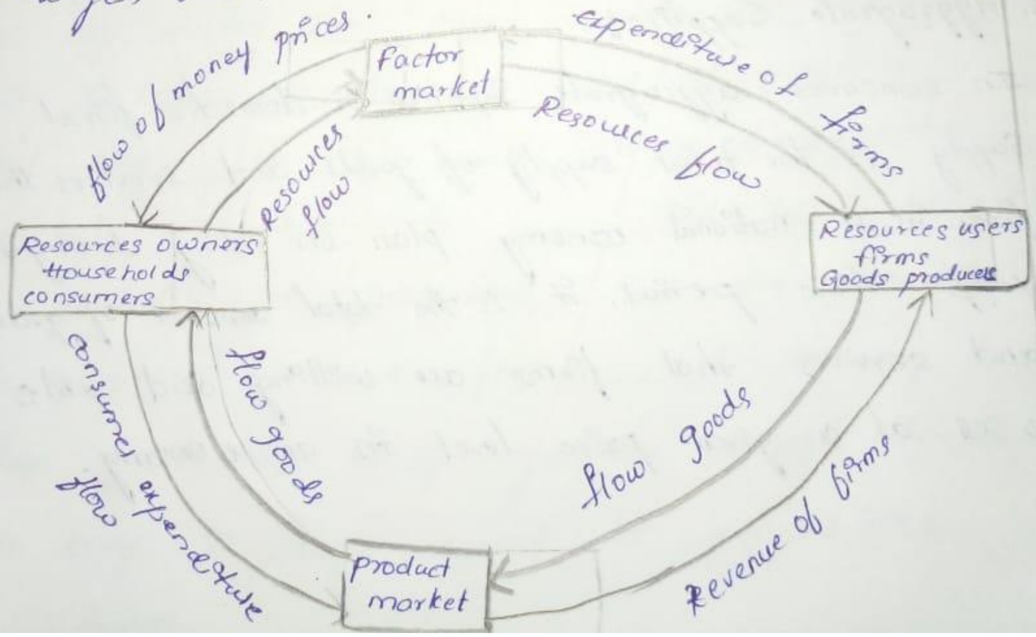
The term "macro economics" is dervided from the "greek" word "makros" which means large. macro economics is also called "Income Theory"

According to prof. Ackley " macro economics deals with economic affairs in the large: it concerns the over all dimensions of economic life.

It tooks at the total size and shape and functioning of economic experience.

2Q:- Circular flow of income :-

In the economic system flow of income is a circular flow. The households sell the factors of production to the bussiness firms. for producing goods and services. The bussiness sector pays the form of money like wages, rent.



a circular flow of income from the bussiness sector to the household sector and again from the household sector to the bussiness sector. Thus circular flow income will be taking place forever.

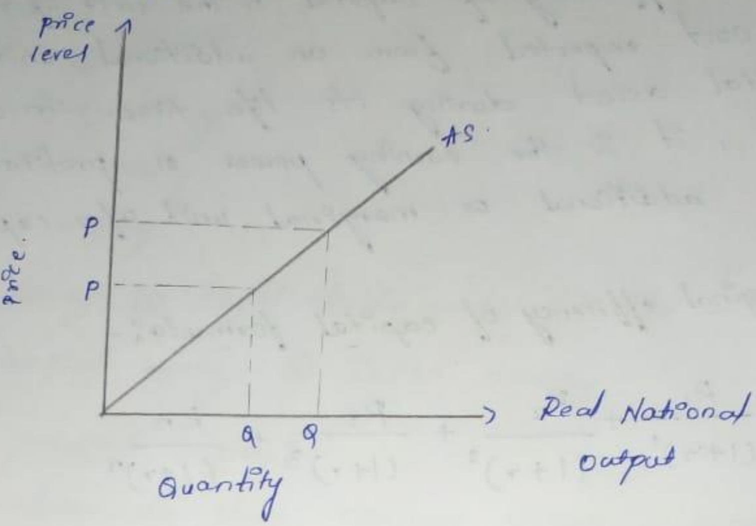
30: National income :-

National income is the value of goods and services produced in a country in given period of time, usually in a year. called national income.
we must distignuish between gross national income and net national income.
Gross national income is the total value of goods and services produced in the country minus imports plus exports. Net National income is the gross national income minus the value of depreciation and replacements.

40: Aggragrate Supplies :-

In economics, aggragrate supplies or domestic final supply is the total supply of goods and services that firm in a national economy plan on selling during a specific time period. it is the total amount of goods and services that firms are willing and able to sell at a given price level in an economy.

Aggregate supply curve.



5Q: J. B say's market theory

say's Law of markets is the basic of classical theory of employment. The 17th century french economist J. B. say started that 'supply creates its own demand' This is known as the say's law of markets. Thus say's law of market is used by the classical economists to prove that there cannot be general over production and therefore general unemployment in a free market economy. when production itself generates enough income to buy it there cannot be general Over production.

employment

6Q:- marginal efficiency of capital:-

marginal efficenay of capital is the rate of return over cost expected from an additional unit of a capital assest during its life time. In other words, it is the earning power or profitability of an additional or marginal unit of a capital assest.

marginal effirency of capital formula:-

$$k = \frac{R_1}{(1+r)^1} + \frac{R_2}{(1+r)^2} + \frac{R_3}{(1+r)^3} + \frac{R_n}{(1+r)^n}$$

k = (mEc) = marginal efficiency of capital

R_1, R_2, R_3, R_n = expected income durning the life time.

r = rate.

7Q:- investment function:-

Investment and its determinates are importants to known for a person or company individually. But it is more important for the governments in the macro economic scenario. major factor deteming investment

① Income (Y)

② Real interest rate

③ Tobin's Q

④ marginal efficiency of capital (mEc)

⑧ classification of money:-

The money can be brodly divided ① common money

① common money:

a) commodity money

b) metallic money

c) paper money

② Bank money, ③ Legal tender money ④ fiat money

⑤ full bodied money ⑥ Token money.

⑨ High powered money:-

A part from the three measures of money aggregates viz m_1, m_2 and m_3 and the three liquidity resources viz L_1 L_2 and L_3 the reserve bank of India has introduced one more concept of money that M_0 Reserve money or Base money or the high powered money.

$M_0 = C + CR + OD$.

⑩ philips curve:-

A.W phillips of England studied the relationship between unemployment and rate of changes of money wages in united Kingdom between 1861-1913. The rate of wage increase and percantage of unemployment is depicted in a curve.

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