Macroeconomics
Ultimate Cheat Sheet

Formulas

Labor Participation Rate = $\frac{\text{People in labor force}}{\text{Working age population}}$

Unemployment rate = $\frac{\text{\# people unemployed}}{\text{\# people in labor force}}$

% Change in GDP = $\frac{\text{Old GDP - New GDP}}{\text{Old GDP}} \times 100$

Consumer Price Index = $\frac{\text{Basket in given year}}{\text{Basket in base year}} \times 100$

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

Expenditure Approach = C + I + G + (X-M)

Income Approach = Wages + Rent + Interest + Profit

MPS = 1 - MPC

Spending Multiplier = $\frac{1}{MPS}$

Tax Multiplier $-\frac{MPC}{MPS} = \frac{1}{MPS}$ or -1

Money Multiplier = $\frac{1}{RR}$

Real Interest Rate = Nominal rate - expected inflation

Quantity Theory of Money: M x V = P x Y

Key Relationships (↑ or ↓)

1. ↑ Demand → Equilibrium price ↑
2. ↑ Supply → Equilibrium price ↓
3. ↑ Consumer Spending → Real GDP ↑
4. ↑ Interest rates → Investment ↓
5. ↑ Inflation → Real wages ↓
6. ↑ Aggregate demand → Price level ↑
7. ↑ SR Aggregate supply → Price level ↓
8. ↑ Government Spending → Real GDP ↑
9. ↑ Taxes → Disposable income ↓
10. ↑ MPC → Spending Multiplier ↑
11. ↑ Interest Rates → Bond prices ↓
12. ↑ Money Supply → Nominal interest rates ↓
13. ↑ Reserve requirement → Money supply ↓
14. ↑ Discount rate → Money supply ↓
15. ↑ Fed buys bonds → Money supply ↑
16. ↑ Inflation → Real interest rates ↓
17. ↑ Deficit spending → Real interest rates ↑
18. ↑ Capital stock → Economic growth ↑
19. ↑ Appreciation → Net exports ↓
20. ↑ Interest rates → Net capital inflow ↑

Things to Remember

Comparative advantage- A country makes a good at a lower opportunity cost than another country
Investment- This refers to business spending on physical capital, never personal investing
Full employment- When there is only frictional and structural unemployment. No cyclical unemployment
Long-run self-adjustment- When there is a positive or negative output gap the SRAS will eventually shift
Fiscal policy- Changing government spending and/or taxes. This shifts aggregate demand
Monetary policy- Changing the money supply to affect interest rates. This shifts aggregate demand
Open Market Operations- Central bank buys or sells bonds, increasing or decreasing the money supply
Crowding Out- Deficit spending leads to higher real interest rates and less investment and growth
Capital Inflow- High interest rates decrease domestic investment but attract more financial capital

Thanks for watching my videos. Good luck on your exam!- Jacob Clifford

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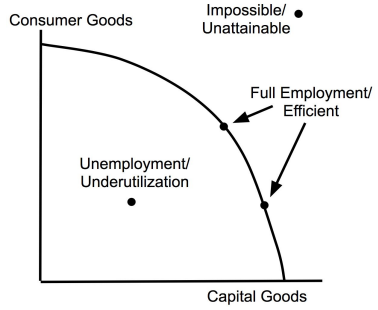
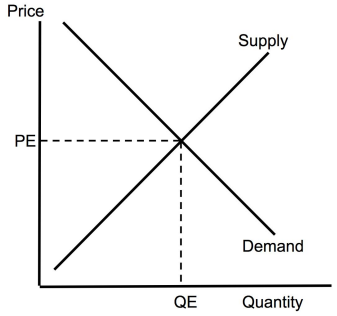
Essential Graphs

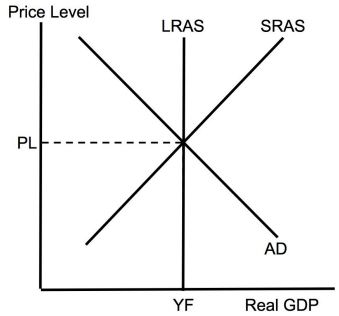
Production Possibilities Curve



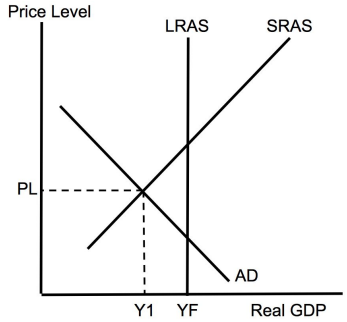
Supply and Demand



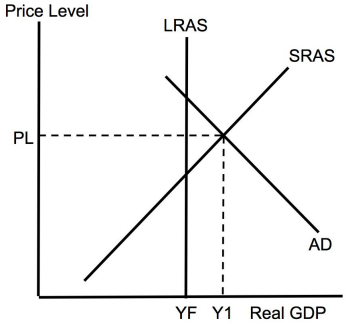
AD/AS (Full-Employment)



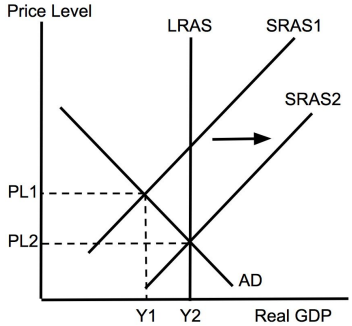
AD/AS (Negative Output Gap)



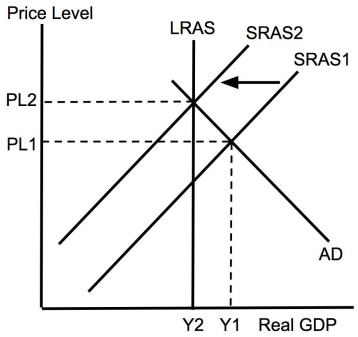
AD/AS (Positive Output Gap)



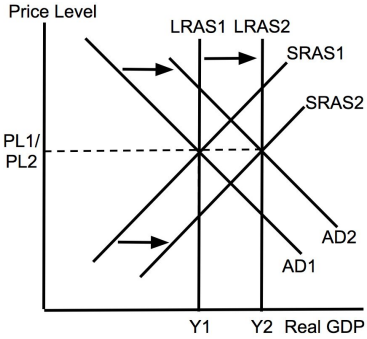
AD/AS (Recession Self-Adjust)



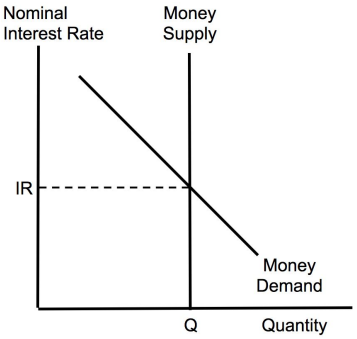
AD/AS (Inflation Self-Adjust)



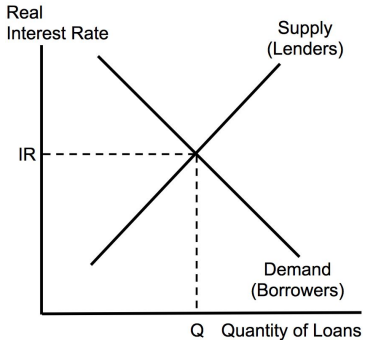
AD/AS (Economic Growth)



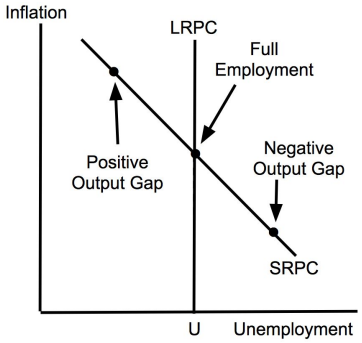
Money Market



Loanable Funds



Phillips Curve



Foreign Exchange