



MACROECONOMICS Ultimate Cheat Sheet



■ Key Equations and Relationships

1. Labor Participation Rate =
2. Unemployment rate =
3. % Change in GDP =
4. Consumer Price Index =
5. GDP deflator =
6. GDP (Expenditure Approach) =
7. GDP (Income Approach) =
8. MPS =
9. Spending Multiplier =
10. Tax Multiplier =
11. Money Multiplier =
12. Real Interest Rate =
13. Quantity Theory of Money:

Identify if the following will ↑ or ↓ as a result of the change:

14. ↑ Human Capital → Economic growth ____
15. ↑ Demand → Equilibrium price ____
16. ↑ Supply → Equilibrium price ____
17. ↑ Consumer Spending → Real GDP ____
18. ↑ Interest rates → Investment ____
19. ↑ Inflation → Real wages ____
20. ↑ Discouraged workers → Unemployment rate ____
21. ↑ Aggregate demand → Price level ____
22. ↑ SR Aggregate supply → Price level ____
23. ↑ Government Spending → Real GDP ____
24. ↑ Taxes → Disposable income ____
25. ↑ MPC → Spending Multiplier ____
26. ↑ Interest Rates → Bond prices ____
27. ↑ Money Supply → Nominal interest rates ____
28. ↑ Reserve requirement → Money supply ____
29. ↑ Discount rate → Money supply ____
30. ↑ Central bank buys bonds → Money supply ____
31. ↑ Interest on reserves → AD ____
32. ↑ Inflation → Real interest rates ____
33. ↑ Deficit spending → Real interest rates ____
34. ↑ Capital stock → Economic growth ____
35. ↑ Appreciation → Net exports ____
36. ↑ Interest rates → Net capital inflow ____

37. Comparative advantage- A country makes a good at a lower _____ cost than another country.
38. Investment- _____ spending on physical capital, never personal investing.
39. Full employment- When there is only _____ and _____ unemployment.
40. Long-run self-adjustment- When there's a positive or negative output gap, _____ will eventually shift.
41. Fiscal policy- Government changes _____ spending and/or _____. This shifts AD.
42. Monetary policy- When there are limited reserves, central banks can influence interest rates by changing the _____ requirement, _____ rate, or by doing open market operations. This shifts AD.
43. Open Market Operations- When central banks buys or sell _____.
44. Crowding Out- Deficit spending leads to higher _____ interest rate and less _____.
45. Capital Inflow- High interest rates decrease investment but attract more foreign _____ capital.



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■ Essential Graphs

Production Possibilities Curve	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	Reserve Market
Loanable Funds	Phillips Curve	Foreign Exchange