

Table of Contents

Table of Contents

Formulas to Know for Macro Economics:	2
Keys to Economic Prosperity:	9
8 Guideposts to Economic Thinking (Chapter 1):	10
Chapter 1 Textbook Notes:.....	11
Chapter 1 In Class Notes:	17
Red Paper Clip Video.....	19
Chapter 2: Some Tools of the Economy.....	20
Chapter 3: Where does that price come from?	24
Chapter 7 Notes:	30
Chapter 8: Business Cycles, Unemployment & Inflation.....	33
Chapter 9: Aggregate supply and demand and finding equilibrium in the four major macro markets	37
Chapter 10: What Causes the Aggregate Demand Curve to Shift?	41
Chapter 11: Fiscal Policy.....	45
Chapter 12 Notes	49
Chapter 13 Notes: Monetary Policy.....	51
Chapter 14: Monetarists Theory of Inflation	56
Chapter 15 Notes:.....	59
Personal Finance Notes:.....	62
Chapter 16 and 17 Notes:	63
Chapter 18 notes: gaining from international trade.....	66

Formulas to Know for Macro Economics:

Resources:

Key:

L= Land

N= Labor

K= Capital

e=Entrepreneurship

Return on Resources:

Key:

R=Rent

W=Wages

i=Interest

Π = Profit

Inflation:

Key:

Π = Inflation

Π^e = Expected Inflation

Π = Happened Inflation

NGDP= Nominal Gross Domestic Profit

RGDP=Real Gross Domestic Profit

CPI= Consumer Price Index

Formulas:

To measure inflation $Y=QP$

If Q increases= good

If P increases= bad

Anticipated inflation

$$NGDP=RGDP+ \Pi^e$$

$$\text{Inflation rate} = (\text{Current CPI}-\text{Last Years CPI})/(\text{Last years CPI}) \times 100$$

Interest Rates:

Key:

ir= Interest Rates

Rir= Real Interest Rates

Nir= Nominal Interests Rates

Formulas:

Real interest rates= opportunity cost of \$ + risk of default premium

Nominal interest rates= real interest rate + inflation premium

Ex ante nominal interest rates= real interest rate + Π^e

Ex post real interest rate= nominal – inflation premium

Income:

Key:

Y=Income

RGDP=Income

RGDP= Real Gross Domestic Product (Inflation taken out)

AD=Income

AD= Aggregate Demand

Formulas:

$Y=GDP=AD= C+I+G+ (X-M)$

See GDP section blow for the other method to calculate RGDP.

GDP:

Key:

C= Consumers

I= Suppliers

G= Government

X=Exports

M= Import

C+I= Private Sector

G= Public Sector

X-M= Net Exports

SA= SA

CPI= Consumer Price Index

R= Rent

W= Wages

i= Interest

Π = Profit

Formulas:

GDP Per Capita= $(GDP/Population) \times 100$

Expenditures approach to calculate GDP= $Y= C+I+G+(X-M)$

If $X>M$; Exporting more

If $X<M$; Importing more

Income/Cost approach to calculate GDP= $Y=R+W+i+ \Pi+ SA'$

RGDP= $(Nominal\ GDP/CPI) \times 100$

Growth Rate of RGDP= $Change\ in\ RGDP/time= slope\ of\ Business\ Cycle\ Graph$

Money Supply:

Things to know:

When the Fed buys bonds, the money supply is getting bigger.

When the Fed sells bonds, the money supply is getting smaller.

The U.S Treasury sells bonds to the Fed, and this has no effect on the money supply.

Fiscal Policy:

Key:

T= Tax Revenues

G= Government

Formulas:

Fiscal Policy= Change in G and change in T

$G=T$ means a balanced budget

$G<T$ means a surplus