**KEY FORMULAS FOR AP MACRO**

**Unit 2: Measures of Economic Performance**

GDP (expenditure Approach) = C + G + I + (X – Im)

GDP Growth Rate Formula = Year 2 GDP – Year 1 GDP x 100

 Year 1 GDP

GDP Deflator = nominal GDP x 100 or Price of selected goods in current year x 100

 real GDP Price of selected goods in base year

 real GDP = nominal GDP x 100

 GDP Deflator

Output Growth = (Year 2 GDP – Year 1 GDP) x100

Year 1 GDP

CPI = cost of market basket x 100

 cost of market basket in base year

Inflation Rate= Year 2 CPI – Year 1 CPI x 100

 Year 1 CPI

Labor Force = employed workers + unemployed workers

Labor Force Participation Rate = # of people employed + unemployed x 100

 # of people between 16 and 64

Unemployment Rate = # of unemployed x 100

 # in labor force

Nominal interest rate = real interest rate + expected inflation

Real interest rate = nominal interest rate – actual inflation

**Unit 3: National Income and Price Determination**

MPC = change in consumer spending

**Tax= gap/(MPC \* SM)**

If you **raise taxes**, the result is **negative** because the govt is taking money out of the economy to reduce inflation

**Spending= Gap/SM**

If you **cut spending**, the result is **negative** because the govt is taking money out of the economy to reduce inflation

Any time you **increase spending** or **cut taxes**, the gov is **putting money in the economy, the answer is positive**.

 Change in disposable income

MPS = \_\_\_\_Change in Savings\_\_\_\_\_

 Change in Disposable Income

MPC + MPS = 1

Consumption function = a + MPC ● Yd

Spending Multiplier = \_\_1\_\_ or \_\_1\_\_ 1—MPC MPS

Tax Multiplier = \_\_MPC\_\_

 MPS

**Unit 4: Financial Sector and Money**

Money Multiplier = \_\_\_\_1\_\_\_\_\_\_

 required reserve ratio

Money supply ● Velocity = Price level ● Quantity of output

**Unit 6: Economic Growth**

Rate of growth ● Doubling time (in years) = 70

Unit 7: International Trade and Foreign Exchange Markets

Capital Account + Financial Account = 0