Macro Concepts

GDP = Consumption + Investment + Government Expenditure + Net Exports

Real GDP = Base Year Price X Current Year Quantity

GDP Deflator = $\frac{Nominal\ GDP}{Real\ GDP}$ X 100

CPI = $(\frac{Price\ of\ Current\ Basket}{Price\ of\ Base\ Basket})\ X\ 100$

Inflation Rate = $\frac{(Current\ CPI - Previous\ Year's\ CPI)}{Previous\ Year's\ CPI}\ X\ 100$

National Saving = GDP - Consumption - Government Expenditure (or S = I)

Private Saving = GDP - Taxation - Consumption

Public Saving = Taxation - Government Expenditure

Labour Force = Employed + Unemployed

Labour Force Participation Rate = $\frac{Labour\ Force}{Adult\ Population}\ X\ 100$

Unemployment Rate = $\frac{Unemployed}{Labour\ Force}\ X\ 100$

Money - Medium of Exchange, Unit of Account and a Store of Value

Fractional Reserve Banking - When banks keep a fraction of their deposits as reserves.

Reserve Ratio = $\frac{Money\ Kept\ as\ Reserves}{Total\ Deposit}$

Money Multiplier Limit = Inverse of Reserve Ratio

Quantity Theory of Money - Changes in quantity of money determine inflation rate and thus prices.

Classical Dichotomy - Real and Nominal variables are independent.

Monetary Neutrality - Changes in the money supply do not effect real variables.

Velocity of Money = $\frac{(Price\ Level\ x\ Real\ GDP)}{Quantity\ of\ Money}$

Quantity Equation = Quantity of Money X Velocity of Money = Price Level X Real GDP

Inflation Tax - A tax levied on everyone due to the devaluation of money through inflation.

Real Interest Rate = Nominal Interest Rate - Inflation

Nominal Interest Rate = Real Interest + Inflation

Crowding Out Effect - The crowding out of the private market by government borrowing.

Multiplier Effect - Increased consumer spending when government policy increases their income.