AP Macroeconomics

Revision Sheet · 考前速记

Learn these by heart before the exam. 考试前把这些内容背熟。

Basic Economic Concepts

Opportunity cost 机会成本: the value of the next-best alternative given up; every choice on a PPC has one

PPC: points inside are inefficient, on the curve efficient, outside unattainable. Bowed out means increasing opportunity cost.

Comparative advantage 比较优势: lower OPPORTUNITY cost, not lower absolute cost; it is what drives gains from trade

Output problem: divide the OTHER good. Input problem: divide your OWN. Remember 'OOOO' (Output, Other, Over).

Economic Indicators and the Business Cycle

$\text{GDP} = C + I + G + (X - M)$ excludes transfers, second-hand sales, and intermediate goods 国内生产总值 (支出法)

$\text{real GDP} = \dfrac{\text{nominal GDP}}{\text{price index}} \times 100$ real strips out inflation; only real GDP measures growth 实际 GDP

$\text{unemployment rate} = \dfrac{\text{unemployed}}{\text{labour force}} \times 100\%$ labour force = employed + unemployed; discouraged workers are NOT in it 失业率

Unemployment types: frictional (between jobs), structural (skills mismatch), cyclical (recession). Natural rate = frictional + structural.

$\text{inflation rate} = \dfrac{\text{CPI}_2 - \text{CPI}_1}{\text{CPI}_1} \times 100\%$ 通货膨胀率

$\text{real interest rate} = \text{nominal} - \text{inflation}$ unexpected inflation helps BORROWERS and hurts lenders 费雪方程

National Income and Price Determination

AD slopes down for three reasons: wealth effect, interest-rate effect, exchange-rate effect. NOT the same reasons as micro demand.

AD shifters are the components of GDP: C, I, G, $X - M$. SRAS shifters: input prices, productivity, expectations.

LRAS is vertical at full employment. In the long run only LRAS shifts change real output.

$\text{spending multiplier} = \dfrac{1}{\text{MPS}} = \dfrac{1}{1 - \text{MPC}}$ 支出乘数

$\text{tax multiplier} = -\dfrac{\text{MPC}}{\text{MPS}}$ smaller in size than the spending multiplier, and negative 税收乘数

Recessionary gap: output below LRAS. Inflationary gap: above. Self-correction works through wages, but slowly.

Financial Sector

Money functions: medium of exchange, store of value, unit of account. M1 is currency plus chequable deposits.

$\text{money multiplier} = \dfrac{1}{\text{reserve ratio}}, \quad \Delta M = \text{excess reserves} \times \text{multiplier}$ 货币乘数

Money market: vertical MS (the central bank sets it), downward MD. The intersection sets the NOMINAL interest rate.

Loanable funds market: sets the REAL interest rate. Government borrowing shifts demand right and crowds out investment.

Bond prices and interest rates move in OPPOSITE directions.

Long-Run Consequences of Stabilization Policies

Expansionary fiscal: raise G or cut T. Contractionary: the reverse. It shifts AD.

Expansionary monetary: buy bonds, cut the reserve ratio or the discount rate. MS shifts right, interest rates fall, I rises, AD rises.

Phillips curve: short-run trades off inflation and unemployment; LONG-run is vertical at the natural rate.

Crowding out: government borrowing raises the real interest rate and reduces private investment, weakening long-run growth.

Long-run growth comes from LRAS shifting right: more capital, more labour, better technology, better institutions.

Open Economy - International Trade and Finance

Balance of payments: current account (goods, services, income) plus financial account. They offset each other.

A stronger currency makes exports dearer and imports cheaper, so net exports FALL.

Higher domestic real interest rates attract financial inflows, raise demand for the currency, and appreciate it. That is the link from monetary policy to $X - M$.

Foreign exchange market: draw demand and supply for the currency ITSELF, and label the axes with the

exchange rate.

Exam technique

Graphs must be fully labelled: axis names, curve names, equilibrium points, and arrows for the shift. An unlabelled graph earns nothing.

Answer the exact chain asked: 'MS right, nominal interest rate down, investment up, AD right, real output up, price level up'. Every link is a mark.

Say the DIRECTION of change and WHY. 'Increases' alone is not an explanation.