



## **AP<sup>®</sup> Macroeconomics 2007 Scoring Guidelines Form B**

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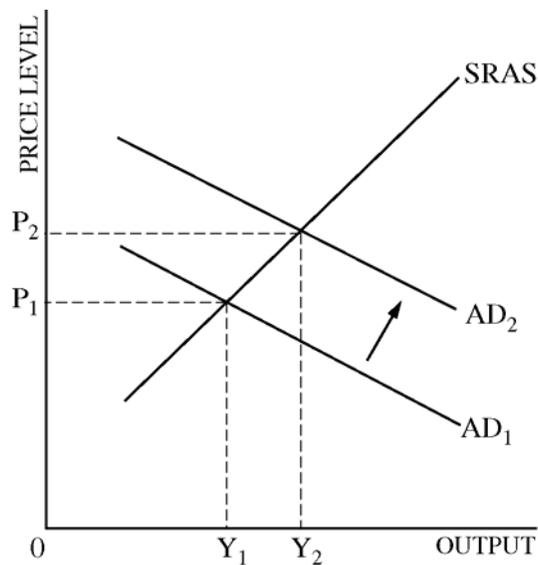
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**Question 1**

**12 points** (4 + 4 + 2 + 2)



(a) 4 points:

One point is earned for a correctly labeled graph.

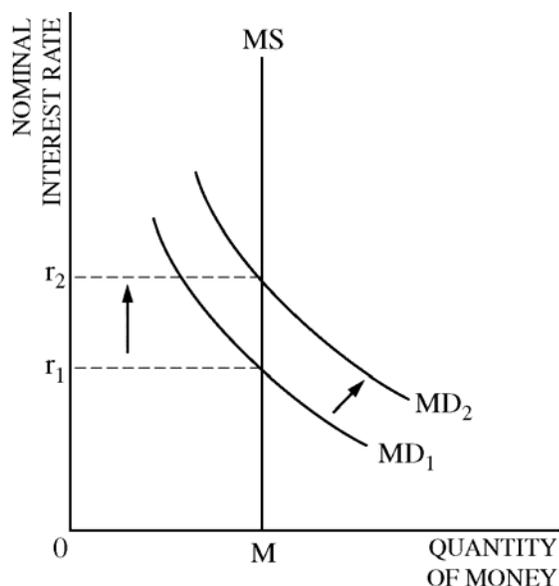
One point is earned for showing a rightward shift in New Zealand's AD curve.

One point is earned for the explanation that New Zealand's exports to Australia increase.

One point is earned for concluding that New Zealand's output increases.

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**Question 1 (continued)**



(b) 4 points:

- One point is earned for a correctly labeled graph of the money market.
- One point is earned for showing a rightward shift of the money demand curve.
- One point is earned for the explanation that higher income means more volume of transactions.
- One point is earned for concluding that the nominal interest rate increases.

(c) 2 points:

- One point is earned for stating that the real interest rate is indeterminate.
- One point is earned for the explanation that the real interest rate is eroded by inflation but increases as a result of the increase in money demand.

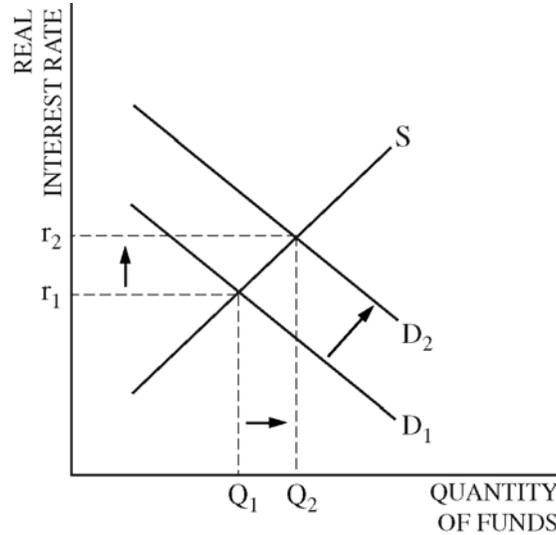
(d) 2 points:

- One point is earned for stating that the aggregate supply curve will shift to the right.
- One point is earned for stating that the aggregate demand curve is unaffected.

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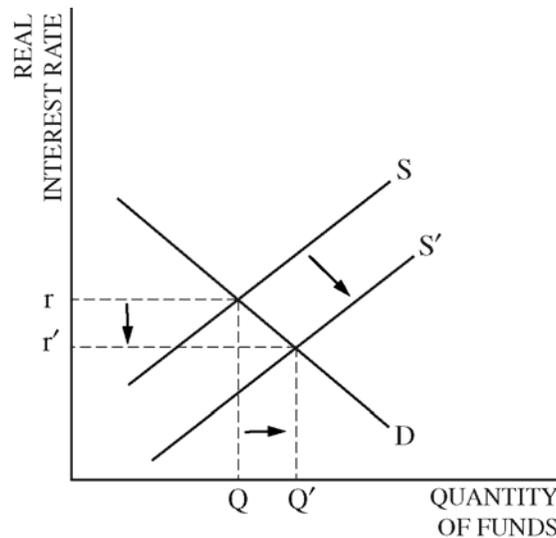
**Question 2**

**7 points** (3 + 2 + 2)



(a) 3 points:

- One point is earned for a correctly labeled graph of the loanable funds market.
- One point is earned for shifting the demand for funds curve to the right.
- One point is earned for concluding that the real interest rate rises.



(b) 2 points:

- One point is earned for shifting the supply of funds curve to the right.
- One point is earned for concluding that the real interest rate falls.

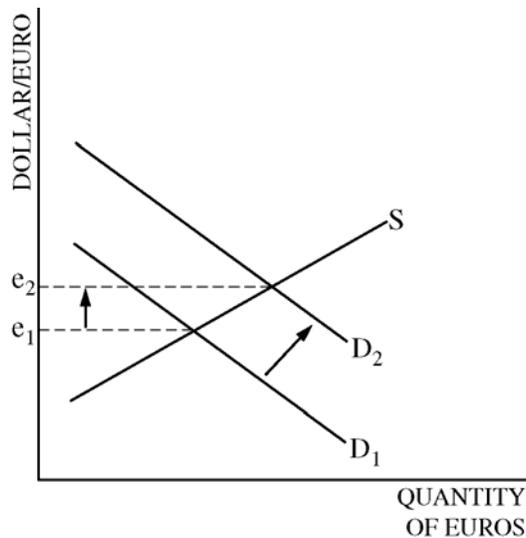
(c) 2 points:

- One point is earned for stating that the production possibilities curve (PPC) will shift to the right.
- One point is earned for the explanation that the country's capital stock increases.

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**Question 3**

**7 points** (5 + 2)



(a) 5 points:

One point is earned for stating that capital will flow out from the United States to European Union countries.

One point is earned for the explanation that the higher interest rate in the European Union attracts investment funds from the United States.

One point is earned for a correctly labeled graph of the foreign exchange market for the euro.

One point is earned for shifting the demand curve for the euro to the right.

One point is earned for concluding that the euro would appreciate.

(b) 2 points:

One point is earned for concluding that the European Union's net exports would fall.

One point is earned for the explanation that due to the appreciating euro, the European Union's goods would become relatively expensive to consumers in the United States, and exports to the United States would decrease but the European Union's imports from the United States would increase.