CollegeBoard
Advanced Placement Program

AP® Macroeconomics
2008 Scoring Guidelines
Form B

The College Board: Connecting Students to College Success

The College Board is a not-for-profit membership association whose mission is to connect students to college success and opportunity. Founded in 1900, the association is composed of more than 5,400 schools, colleges, universities, and other educational organizations. Each year, the College Board serves seven million students and their parents, 23,000 high schools, and 3,500 colleges through major programs and services in college admissions, guidance, assessment, financial aid, enrollment, and teaching and learning. Among its best-known programs are the SAT®, the PSAT/NMSQT®, and the Advanced Placement Program® (AP®). The College Board is committed to the principles of excellence and equity, and that commitment is embodied in all of its programs, services, activities, and concerns.

Visit the College Board on the Web: www.collegeboard.com.
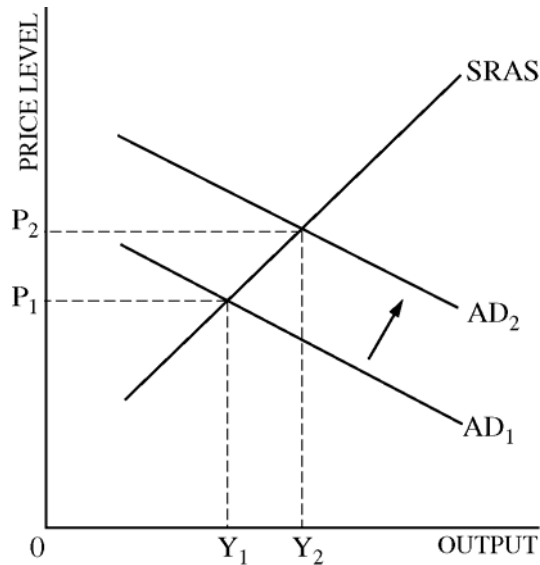**AP Central is the online home for AP teachers: apcentral.collegeboard.com.**

Question 1

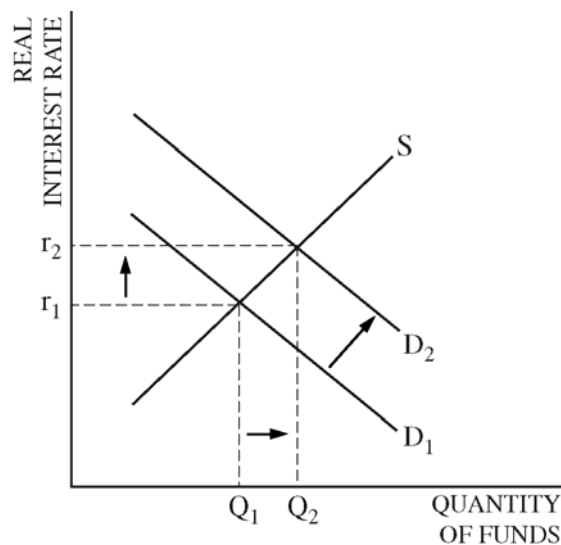**11 points:** $(2 + 2 + 2 + 3 + 2)$

(a) 2 points:
- One point is earned for stating that the aggregate demand will increase.
- One point is earned for recognizing that the short-run aggregate supply is not affected.

(b) 2 points:
- One point is earned for a correctly labeled graph of aggregate demand and aggregate supply.
- One point is earned for showing a rightward shift of the aggregate demand curve and showing an increase in both real output and the price level.

(c) 2 points:
- One point is earned for a correctly labeled graph of the loanable-funds market.
- One point is earned for showing a rightward shift of the demand curve for funds and concluding that the real interest rate will rise. (A leftward shift of the supply curve is accepted.)

(d) 3 points:
- One point is earned for stating that the supply of Country Z's currency will decrease.
- One point is earned for the explanation that the higher interest rate reduces the outflow of funds to countries that now have a relatively lower interest rate.
- One point is earned for concluding that the value of Country Z's currency will rise or Country Z's currency will appreciate.

(e) 2 points:
- One point is earned for stating that Country Z's exports will decrease.
- One point is earned for the explanation that the appreciating currency makes Country Z's goods relatively more expensive.

Question 2

7 points (3 + 3 + 1)

(a) 3 points:
  - One point is earned for stating yes for Mexican consumers.
  - One point is earned for stating no for Mexican manufacturers.
  - One point is earned for the explanation that reducing tariffs will cause the domestic price of automobiles to fall in Mexico, lowering the production of cars in Mexico.

(b) 3 points:
  - One point is earned for indicating that the current account will move toward a deficit.
  - One point is earned for the explanation that the reduction in tariff increases imports relative to exports.
  - One point is earned for stating that the capital account will move toward a surplus.

(c) 1 point:
  - One point is earned for concluding that aggregate demand will decrease.

AP® MACROECONOMICS
2008 SCORING GUIDELINES (Form B)

Question 3

7 points (1 + 2 + 2 + 2)

(a) 1 point:
- One point is earned for calculating today's GDP = ($6 x 400) + ($2 x 1,000) + ($2 x 800) = $6,000.

(b) 2 points:
- One point is earned for stating that the inflation rate is 50 percent [(150-100)/100].
- One point is earned for calculating this year's real GDP = $6,000/1.5 = $4,000.

(c) 2 points:
- One point is earned for stating that real wages would fall.
- One point is earned for the explanation that the wages rose by only 20 percent as compared to the inflation rate of 50 percent, causing a 30 percent fall in real wages.

(d) 2 points:
- One point is earned for concluding that a borrower would be better off.
- One point is earned for the explanation that, due to the higher inflation, the borrower is paying back the loan using fewer real dollars.