



AP[®] Macroeconomics 2009 Scoring Guidelines

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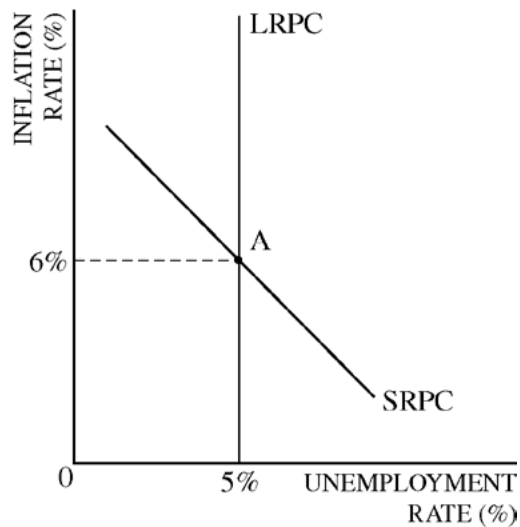
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Question 1

11 Points (2 + 1 + 1 + 2 + 2 + 3)



(a) 2 points:

- One point is earned for a correctly labeled graph of the short-run Phillips curve.
- One point is earned for showing position “A” on the LRPC at the correct coordinates where the SRPC crosses the LRPC curve.

(b) 1 point:

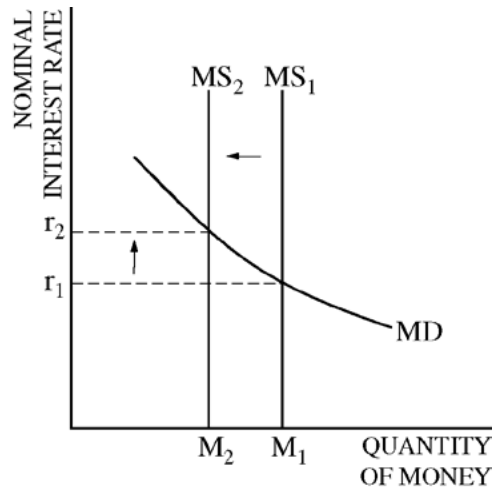
- One point is earned for the correct calculation of the real interest rate: $8\% - 6\% = 2\%$.

(c) 1 point:

- One point is earned for stating that the Federal Reserve should sell bonds.

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Question 1 (continued)



(d) 2 points:

- One point is earned for a correctly labeled graph of the money market.
- One point is earned for showing a leftward shift of the money supply curve resulting in a higher interest rate.

(e) 2 points:

- One point is earned for stating that aggregate demand decreases.
- One point is earned for explaining that the higher interest rate decreases investment and interest-sensitive consumption spending, and that both consumption and investment are components of aggregate demand.

(f) 3 points:

- One point is earned for stating that the short-run Phillips curve will shift to the left.
- One point is earned for explaining that Federal Reserve policy will lower inflationary expectations.
- One point is earned for stating that the natural rate of unemployment will remain unchanged.

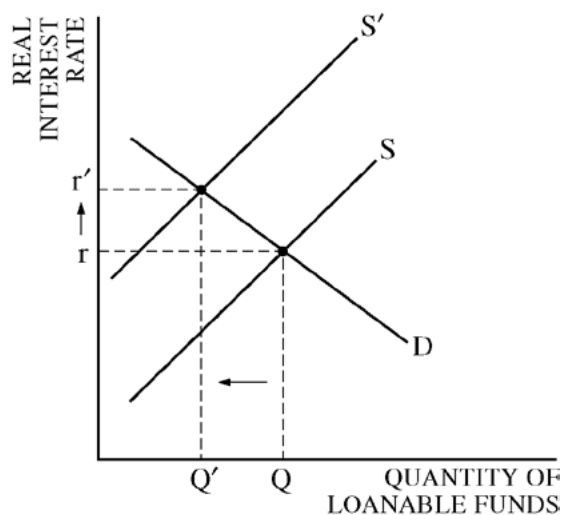
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Question 2

6 points (2 + 2 + 2)

(a) 2 points:

- One point is earned for stating that Tara's currency will depreciate.
- One point is earned for explaining that capital flight increases the supply of and/or decreases the demand for Tara's currency in the foreign exchange market, thereby lowering the market equilibrium exchange rate.



(b) 2 points:

- One point is earned for a correctly labeled graph of the loanable funds market. The graph must have correctly labeled axes and correctly labeled supply and demand curves.
- One point is earned for showing a leftward shift of the supply curve and a higher interest rate.

(c) 2 points:

- One point is earned for stating that the interest rate rise found in (b) will result in a decrease in the rate of economic growth.
- One point is earned for explaining that the interest rate increase reduces investment, which causes a decline in the rate of growth of the capital stock.

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Question 3

6 points (3 + 1 + 2)

(a) 3 points:

- One point is earned for stating that the maximum dollar amount the bank can initially lend is \$80.
- One point is earned for stating that the maximum change in demand deposits is \$500.
- One point is earned for stating that the maximum change in the money supply is \$400.

(b) 1 point:

- One point is earned for stating that the Federal Reserve's action will increase the money supply by at most \$25 million.

(c) 2 points:

- One point is earned for stating that the real wages will fall.
- One point is earned for explaining that real wages fall because the Federal Reserve's action causes inflation.