AP® Microeconomics
2000 Scoring Commentary

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Question 1

This long microeconomics question tests the student's understanding of monopoly and the comparison of the monopoly result to the allocatively efficient outcome of perfect competition. In particular, the question addresses allocative efficiency in parts e through g.

In responding to the question of the allocatively efficient output level (part e), students frequently seemed to be searching for a long-run competitive equilibrium in which the firm's long-run average cost would be at a minimum. In reality the question was seeking simply the short-run allocatively efficient output at which Price= Marginal Cost (or Marginal Social Benefit=Marginal Social Cost). Also, many students missed entirely the concept of consumer surplus. Finally, while many students realized that the monopolist should increase output to be allocatively efficient and that the subsidy was the correct policy tool, few students were able to explain how the subsidy, by decreasing marginal cost or increasing marginal revenue, would increase output toward the allocatively efficient level.

Question 2

This question was principally aimed at finding the firm's profit-maximizing level of employment and assessing whether the firm was earning an economic profit. The first parts of the question tested whether the student realized that the firm, being a price taker and a wage taker, was operating in a competitive output market and in a competitive input market.

Some students were not able to apply the input-hiring rule of employing an input as long as the marginal revenue product of the input exceeded the marginal factor cost of the input (or the wage rate). Also, students too frequently confused an economic profit with a normal profit.

Question 3

This question was aimed at analyzing two related markets following the imposition of a tariff (or per unit tax) in one market.

Students often were unable to use the result of a higher price for imported shoes to justify an outward shift in the demand for the substitute product, domestically produced shoes. Of more concern, many students showed a significant lack of understanding of the relationship between elasticity and total expenditures along a demand curve. In general, students did not state clearly that with the demand for imported shoes being price elastic, the percentage decrease in the quantity of imported shoes would be greater than the percentage increase in the price of imported shoes, so that total expenditures on imported shoes would fall.

Finally, as in the past, readers felt that students did not pay sufficient attention to the correct labeling of the axes of their graphs. Also, as readers, we had the impression that some students taking the AP Microeconomics Exam might have had only the AP Macroeconomics course. Without having studied microeconomics, a student is really not using her/his time well to take this exam. As always, we urge you to stress to students the importance of writing clear and neat responses that are sequenced with the different parts of the question.