AP Macroeconomics
2000 Scoring Guidelines

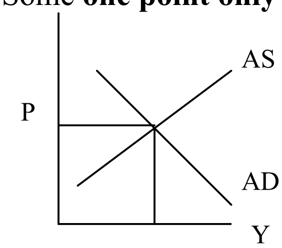
Scoring Guideline for Macroeconomics Question 1:

[2+2+4+2 = 10 Points]

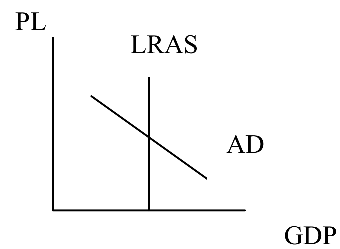
Part (a): 2 Points

(1 point) AD-AS graph with a real output (Q or Y) and a price level shown
(1 point) Showing that the real output is below the full-employment or potential income

Some **one point only** graphs:



Absence of Full employment



Absence of Recession

Part (b)

(1 point) G increase has greater impact than the T decrease
(1 point) Reason: part of the T decrease is saved and does not contribute directly to an increase in income

Part (c): 4 Points

No Assertions!

i. (1 point) Consumption increases because disposable income increases
(May draw on part b if Y_d or money income increase is clearly stated)

ii. (1 point) Because AD increases, GDP and P level increase
[If the student operates in the perfectly elastic range of AS curve, P level would not need to increase.]

iii. (1 point) Imports increase with an explanation:
a) higher income/real GDP increases imports
b) higher domestic price level increases imports
c) higher interest rate leads to appreciated $ which will increase imports
[Note: if only assert $ increases vs. other currencies, no point in part iii.]

iv. (1 point) Exports decrease with an explanation:
a) higher domestic price level decreases exports
b) appreciated dollar reduces exports
(Note: Exports "do not change" if P does not change in ii. is acceptable)

Part (d):

(1 point) Because net investment is a component of AD, increased investment will shift out the AD curve

[Insist on a reason for the AD curve's shifting out.]

(1 point) Increased net investment means an increase in the capital stock (or productivity or capacity) and an outward shift in AS.

Scoring Guideline for Macroeconomics Question 2

[2+2 = 4 Points]

Part (a)

(i) Supply of dollars **increases** **to buy** French Francs
or **to buy** French goods **(1 point)**

(simply saying "increased supply of dollars" is not acceptable.)

(ii) **Depreciation** of U.S. dollar or reduced value of the dollar **(1 point)**

(using the explanation from part a (i)
(a wrong answer, but consistent with i), earns this point)

Part (b)

(i) Demand for U.S. dollar **increases** and the dollar **appreciates** **(1 point)**

(simply saying "appreciation of the dollar" is not acceptable)

ii) Quantity supplied of U.S. dollars **increases** **(1 point)**

(assertion OK)
(a wrong answer but consistent with (i), earns this point)

Scoring Guideline for Macroeconomics Question 3:

[2+3+2 = 7 Points]

Part (a)

Inward shift in the money supply and an increase in the interest rate

1 point Correct money supply graph with properly labeled axes

___labeled x-axis (Qm)
___labeled y-axis (i, p of money)
___Ms curve
___Md curve

1 point Inward shift in money supply and a higher interest rate

___Ms shift left
___interest rate increase

Alternative point allocation

1 point

- Flawed graph, showing increase in interest rate (Flawed = only one major error)
- Flawed graph, with correct written **explanation** (no assertions)

0 points

- Absence of graph (no need to read any accompanying text)
- Poor graph with assertion (Poor = 2 or more major errors)

Part (b)

1 point C: decrease linked graphically or with explanation (not assertion) to interest sensitivity

1 point I: decrease linked graphically or with explanation (not assertion) to interest sensitivity

1 point G: student expected to respond using automatic effects only—no discretionary interest- rate response is acceptable. (i.e., G decreases because cost of borrowing increases)

Two answers acceptable:

- no automatic response (must definitively say no change in G)
- G increases automatically because payments on debt increase

Part (c)

AD shifts in: Real income decreases and Price level falls

1 point Correctly labeled AD/AS graph with an inward shift in AD

___ x-axis (Y, GDP, Q)

___y-axis (P, PL, Prices)

___AS ___AD

___shift in AD

1 point Correct impact on Real Income (decrease) and Price Level (decrease) (1 point)

___ decrease in Y ___ decrease in P

Alternative point allocation

1 point

- Flawed graph, showing P and Y decrease (Flawed = only one major error)
- Flawed graph, with correct written **explanation** (no assertions)
- Shift in AS, as long as AD shifted down correctly

0 points

- Absence of graph (no need to read any accompanying text)
- Poor graph with assertion (Poor = 2 or more major errors)