AP Macroeconomics
Sample Student Responses and Scoring Commentary

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Question 3

5 points \((1 + 2 + 1 + 1)\)

(a) 1 point:
- One point is earned for drawing a correctly labeled graph of the production possibilities curve (PPC) and for showing point X on the curve.

(b) 2 points:
- One point is earned for drawing a correctly labeled graph of the loanable funds market.
- One point is earned for showing a rightward shift of the supply curve and a decrease in the real interest rate.

(c) 1 point:
- One point is earned for showing point Z to the left of point X on the curve.

(d) 1 point:
- One point is earned for stating that the long-run aggregate supply (LRAS) curve will shift to the right and for explaining that capital accumulation will increase.
D. As a result of the increased savings, more loans will be supplied at a lower interest rate. This fuels investment which leads to greater capital formation, which then causes long run aggregate supply to shift right.
a)

b)

C) see graph a

d) The long run aggregate supply curve will stay the same because if the country is at full employment then there would only be movement along the curve for the product possibilities curve.
(d) The long run aggregate supply curve will remain the same because the country still remains at full employment. It just produces different quantities of goods. The LRAS is not affected by the combination of goods produced.
Overview

The question examined students’ knowledge of the production possibilities curve and the impact of an increase in national savings on the loanable funds market and on the long-run aggregate supply. In part (a) students were asked to draw a graph of a production possibilities curve and to label a point of full employment. Part (b) consists of two parts. The first part required students to draw a graph of the loanable funds market. In the second part students were required to illustrate the change in the real interest rate that results from the increase in national savings on the graph for the loanable funds market. Part (c) referred students back to part (a) and asked them to identify a new point on the production possibilities curve to illustrate how the increase in national savings affected the combination of capital goods and consumer goods produced. In part (d) students were asked to state what happens to the long-run aggregate supply curve based on the new combination of capital and consumer goods identified on the production possibilities curve.

Sample: 3A
Score: 5

The student answers all parts of the question correctly and earned all 5 points.

Sample: 3B
Score: 3

The student did not earn the second point in part (b) because the response does not correctly show a rightward shift of the supply curve. The student did not earn 1 point in part (d) because the response does not correctly state and explain why the LRAS curve will shift to the right.

Sample: 3C
Score: 2

The student earned 1 point in part (a) for drawing a correctly labeled graph of the production possibilities curve and for showing point X on the curve. The student earned the first point in part (b) for drawing a correctly labeled graph of the loanable funds market.