



Student Performance Q&A: 2003 AP[®] Macroeconomics Free-Response Questions

The following comments on the 2003 free-response questions for AP[®] Macroeconomics were written by the Chief Reader, Clark Ross of Davidson College in Davidson, North Carolina. They give an overview of each free-response question and of how students performed on the question, including typical student errors. General comments regarding the skills and content that students frequently have the most problems with are included. Some suggestions for improving student performance in these areas are also provided. Teachers are encouraged to attend a College Board workshop, to learn strategies for improving student performance in specific areas.

Question 1

What was the intent of this question?

The intent of this question was to test students' understanding of aggregate analysis, aggregate demand, and aggregate supply. Part (a) required students to demonstrate understanding of the concept of full-employment output. Part (b) tested their grasp of the impact of a fiscal-policy shock. Part (c) asked students about the relationship between output, employment, and unemployment. In Part (d) students were asked to draw a money market graph and show the effects of a change in the money supply on the interest rate. The question then asked how the change in the interest rate would affect interest-sensitive expenditures, aggregate demand, real output, and the price level. Part (e) asked students to show the impact of the interest-rate change on the international value (i.e., depreciation) of the currency (the dollar, in this case) and addressed the relationship between the value of a country's currency and that country's imports and exports.

How well did students perform on this question?

Student response to the question was quite good. The mean score was 7.61 out of a possible 14 points. Students averaged slightly over 50 percent correct; moreover, they scored over a broad range on the point scale. The most difficult points to earn related to 1) the relationship between output, employment, and unemployment and 2) the reason for the decline in the value of the international dollar.

What were common student errors or omissions?

A major error some students made was in failing to show clearly a full-employment output level in Part (a). Also, students did not provide good money market graphs. Graphs were frequently mislabeled, with students confusing the money supply with real output. There really is no excuse for not having a good money market graph; monetary policy is a fundamental concept that should be at the heart of any introductory macroeconomics course.

Based on your experience of student responses at the AP Reading, what message would you like to send to teachers that might help them to improve the performance of their students on the exam?

Teachers need to emphasize the money market and the foreign exchange market. Also, students need to provide clearer explanations (when demanded by the question), avoiding unsupported assertions like “exports increased.”

Question 2

What was the intent of this question?

The intent of this question was to test students’ understanding of the effects of sustained inflation. The question began by asking about the impact of inflation on asset holders and debtors. Students were then asked about fiscal and monetary policies to mitigate inflation. Finally, they were asked about the impact of inflation on nominal interest rates and on the value of the country’s currency.

How well did students perform on this question?

The mean score was 3.93 out of a possible seven points. Students performed reasonably well on this question, averaging about 55 percent of the possible points.

What were common student errors or omissions?

As they did in Question 1, students showed an incomplete understanding of how foreign exchange markets work. Also, many failed to demonstrate a grasp of the difference between real versus nominal values, the underlying theme of the question.

Based on your experience of student responses at the AP Reading, what message would you like to send to teachers that might help them to improve the performance of their students on the exam?

Again, work with foreign exchange markets is vital. Also, trying to improve students’ understanding of the difference between real and nominal values, in a general sense, is critical.

Question 3

What was the intent of this question?

The intent of this basic international trade question was to test students’ understanding of absolute advantage, comparative advantage, opportunity costs, and gains from trade.

How well did students perform on this question?

The mean score for this question was 4.75 out of a possible seven points. The average score was somewhat inflated by the fact that students could identify by assertion countries and products, receiving a relatively significant portion of the correct points. Nevertheless, students clearly had some understanding of comparative advantage and international trade.

What were common student errors or omissions?

Some students confused absolute and comparative advantage. Others were unable to use the concept of opportunity cost to show how the country could benefit from trade (i.e., by importing a good more cheaply than producing it domestically).

Based on your experience of student responses at the AP Reading, what message would you like to send to teachers that might help them to improve the performance of their students on the exam?

Teachers should clearly explain the concepts of absolute and comparative advantage, as well as the meaning and use of opportunity cost.