



## **AP<sup>®</sup> Macroeconomics 2008 Scoring Guidelines**

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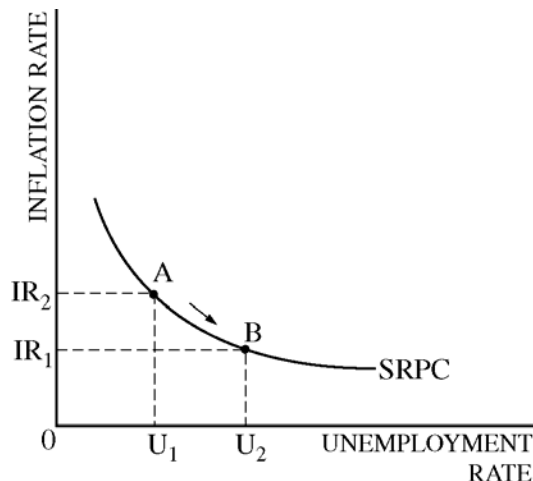
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**Question 1**

**11 points** (2 + 2 + 3 + 2 + 2)



(a) 2 points:

- One point is earned for a correctly labeled graph of the short-run Phillips curve (SRPC).
- One point is earned for showing on the SRPC the initial position “A” and the new position “B”.

(b) 2 points:

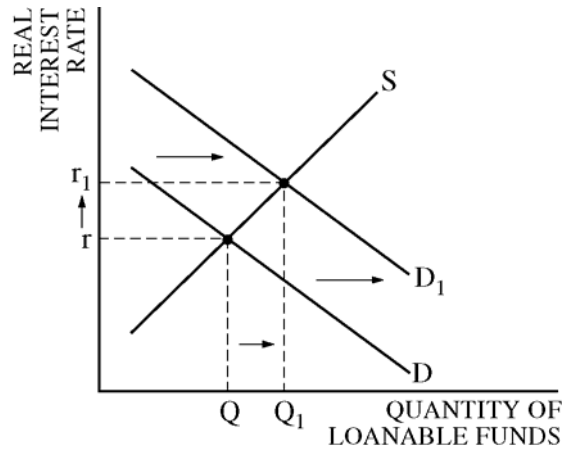
- One point is earned for stating that the federal budget will be in a deficit.
- One point is earned for explaining that government spending (or transfer payments) will increase and/or tax revenues will fall due to the recession.

(c) 3 points:

- One point is earned for correctly calculating the increase in government purchases:  
Change in  $G = \text{Recessionary gap} / \text{Multiplier} = (\$500/5) = \$100$ .
- One point is earned for stating that a larger reduction in personal income taxes is required than the \$100 billion increase in government spending.
- One point is earned for explaining that households do not spend all of the initial increase in disposable income caused by a tax reduction, or that the tax multiplier is smaller than the government spending multiplier.

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**Question 1 (continued)**



(d) 2 points:

- One point is earned for a correctly labeled graph of the loanable funds market.
- One point is earned for showing a rightward shift of the demand curve and showing a higher real interest rate. (A leftward shift of the supply curve showing a higher interest rate is also accepted.)

(e) 2 points:

- One point is earned for stating that the growth rate will fall.
- One point is earned for explaining that investment spending decreases and, as a result, capital formation will decrease.

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**Question 2**

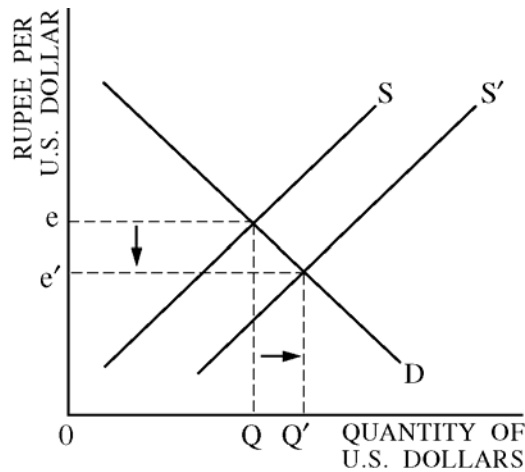
**6 points** (2 + 2 + 2)

(a) 2 points:

- One point is earned for stating that the transaction will be recorded in the current account.
- One point is earned for stating that the transaction will be recorded in the current account.

(b) 2 points:

- One point is earned for stating that the current account balance will decrease or move toward a deficit.
- One point is earned for explaining that the increase in income causes imports to increase.



(c) 2 points:

- One point is earned for a correctly labeled graph of the foreign exchange market for the U.S. dollar.
- One point is earned for shifting the supply of U.S. dollars to the right and showing a depreciation of the dollar.

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**Question 3**

**6 points** (1 + 2 + 2 + 1)

(a) 1 point:

- One point is earned for stating that the opportunity cost of a bicycle in Artland is  $600/300 = 2$  hats.

(b) 2 points:

- One point is earned for stating that Rayland will import bicycles.
- One point is earned for any one or more of the following explanations:
  - Rayland has a comparative advantage in hats.
  - Rayland has a comparative disadvantage in bicycles.
  - Rayland has a lower opportunity cost in hats or higher opportunity cost in bicycles.
  - Artland has a comparative advantage in bicycles.
  - Artland has a comparative disadvantage in hats.
  - Artland has a lower opportunity cost in bicycles or a higher opportunity cost in hats.

(c) 2 points:

- One point is earned for stating that it is advantageous for Artland.
- One point is earned for stating that it is NOT advantageous for Rayland.

(d) 1 point:

- One point is earned for stating that Rayland has a comparative advantage in producing hats.