

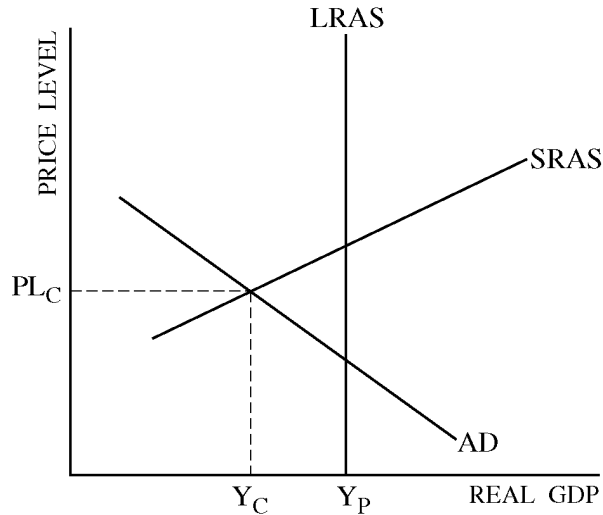
**AP<sup>®</sup> MACROECONOMICS**  
**2009 SCORING GUIDELINES (Form B)**

**Question 1**

**9 points** (2 + 4 + 3)

(a) 2 points:

- One point is earned for the correctly labeled graph with vertical LRAS curve.
- One point is earned for the current equilibrium output,  $Y_C$ , and price level,  $PL_C$ , identified to the left of the LRAS curve.



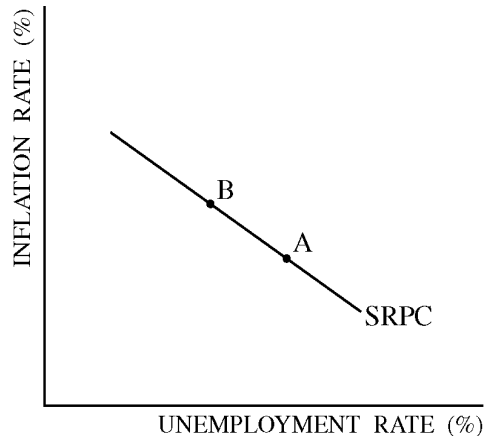
(b) 4 points:

(i) 2 points:

- One point is earned for stating that aggregate demand increases.
- One point is earned for explaining that the decrease in taxes raises disposable income and increases consumption spending.

(ii) 2 points:

- One point is earned for a correctly labeled graph of the Phillips curve.
- One point is earned for the correct initial and current positions.

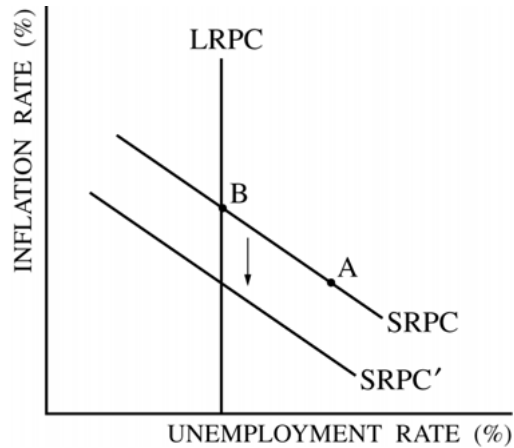


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**2009 SCORING GUIDELINES (Form B)**

**Question 1 (continued)**

(c) 3 points:

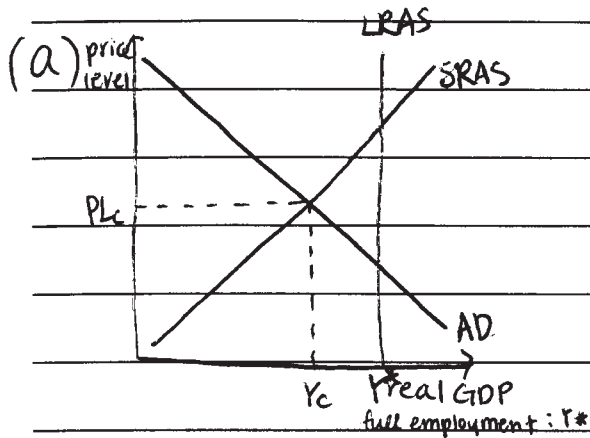
- One point is earned for stating that the short-run aggregate supply curve will shift to the right.
- One point is earned for explaining that wages will fall, businesses will hire more workers, and output will rise.
- One point is earned for showing a leftward shift of the short-run Phillips curve.



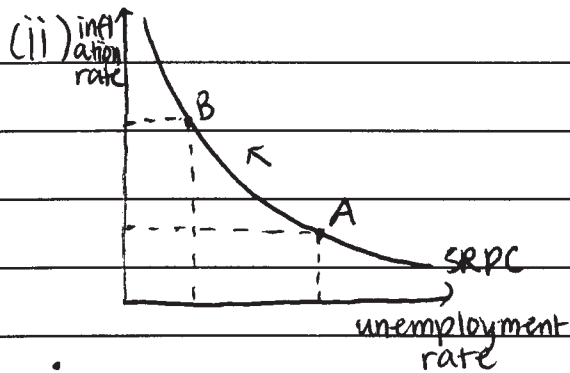
Write in the box the number of the question you are answering on this page as it is designated in the exam.

Question 1

1A



(b) (i) A decrease in personal income tax would increase disposable income, thus consumption. Since consumption is a component of AD, AD would increase.

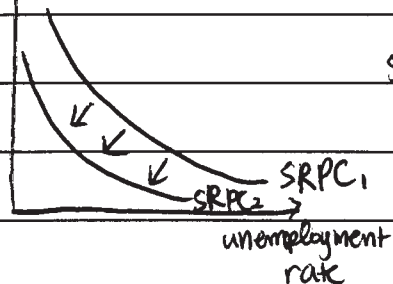


(i)

(c) The SRAS curve will shift to the right.

Because wages are flexible in the longrun wages will decrease causing SRAS to shift outward.

(ii) inflation rate

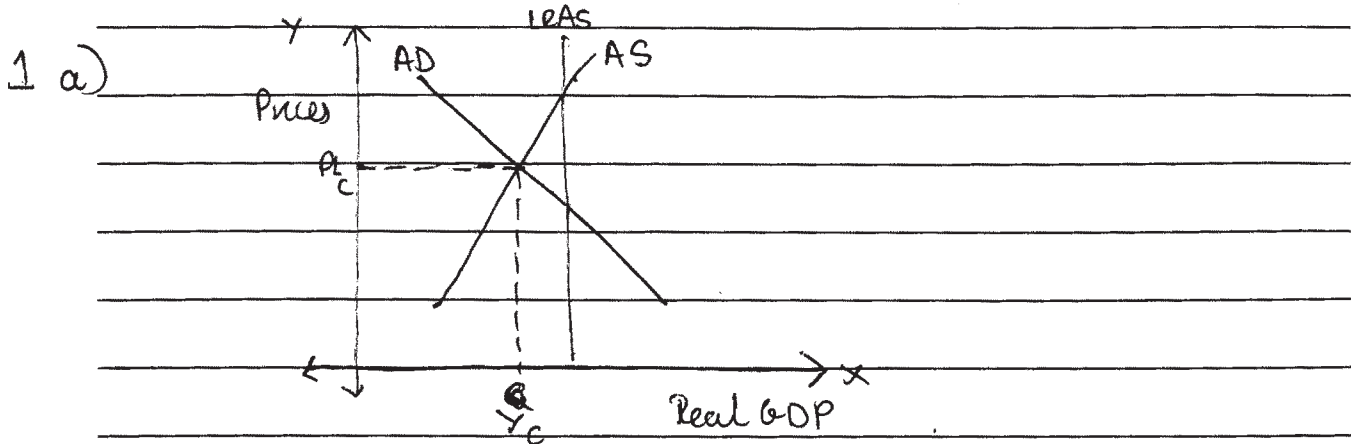


SRPC will shift to the left.

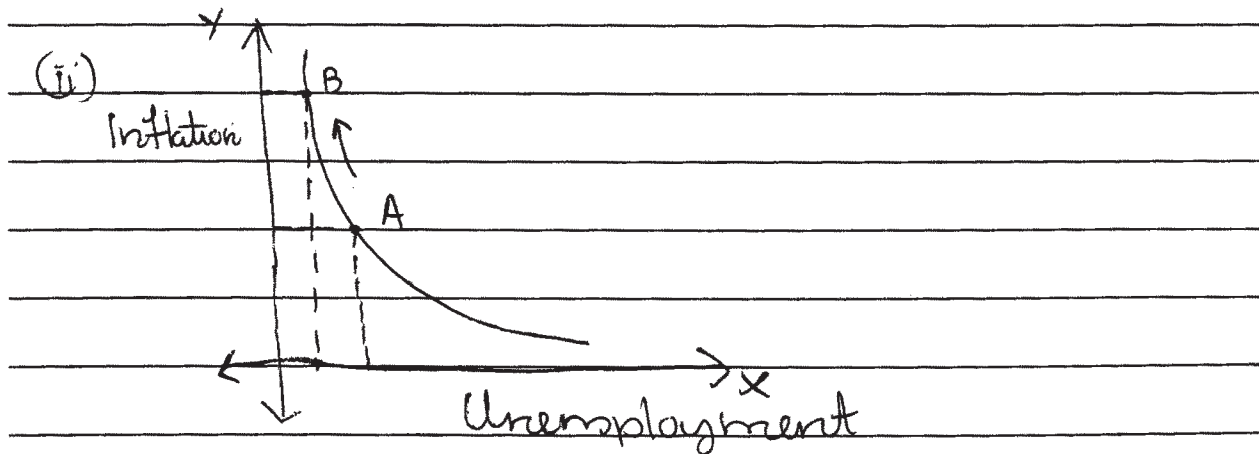
Write in the box the number of the question you are answering on this page as it is designated in the exam.

Q 1

10  
192



b) (i) Decrease in income taxes is one of the methods of financing a deficit. Since tax is a revenue for the government, a decrease in taxes results in the government spending more than revenues, thus incurring a budget deficit. Therefore aggregate demand shifts to the right

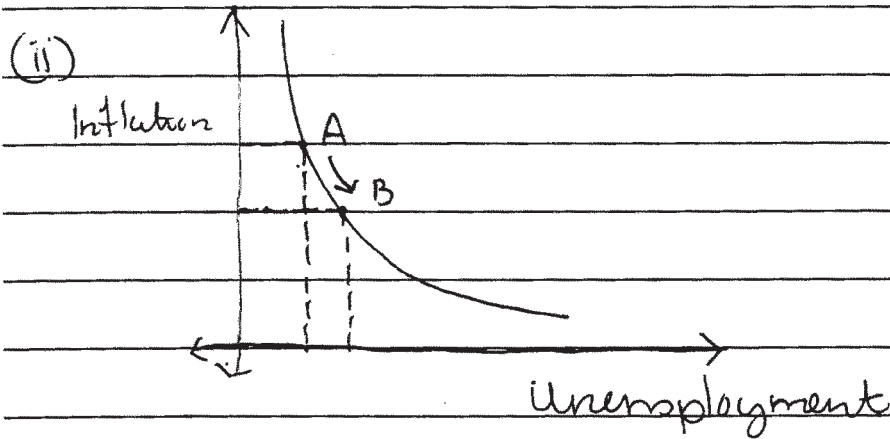


Q 1

Write in the box the number of the question you are answering on this page as it is designated in the exam.

19  
272

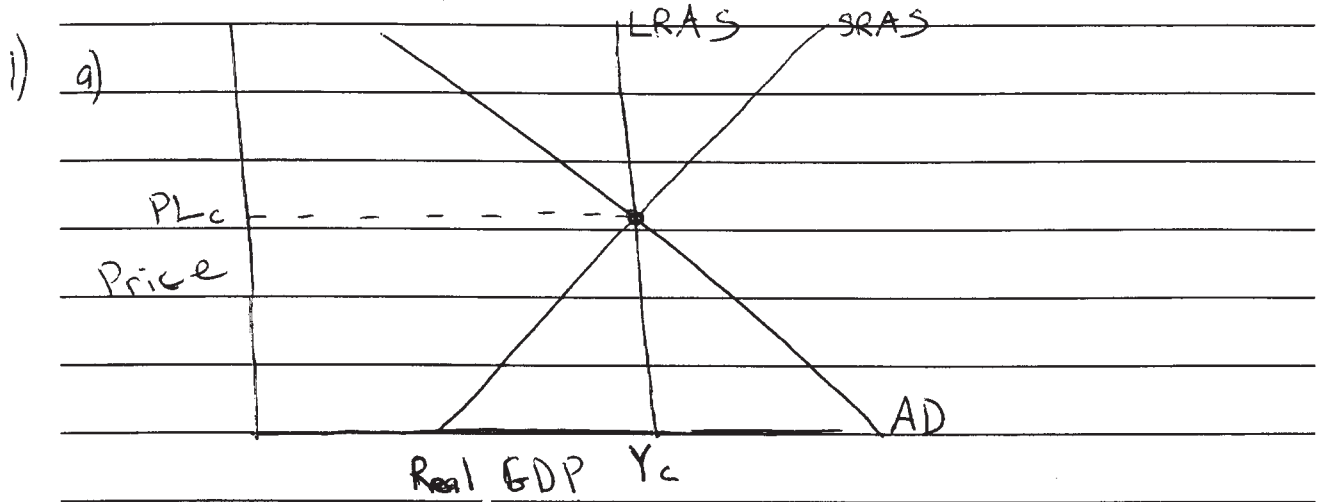
c) (i) The short run supply curve will become vertical in the long run, as in the long run, output remains fixed and economy operates near full employment. Inflation decreases as well.



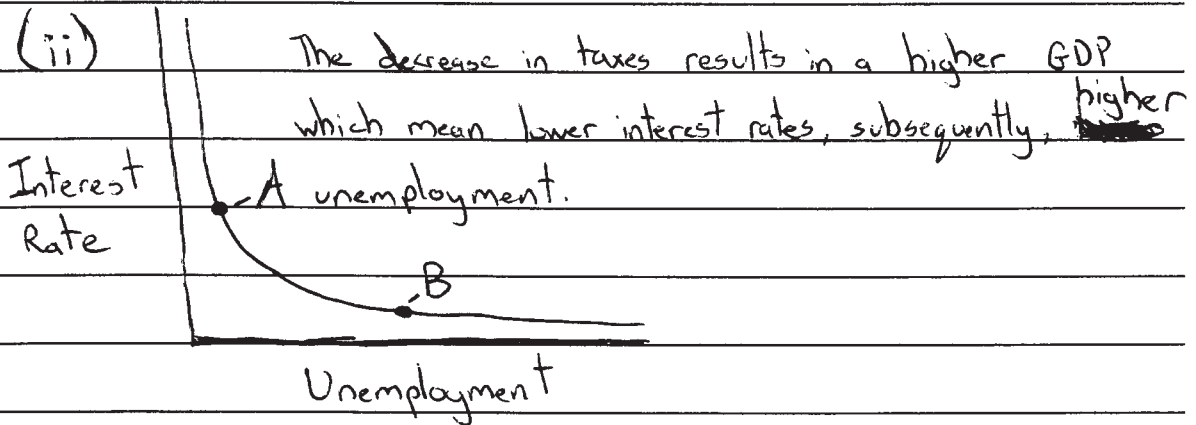
Write in the box the number of the question you are answering on this page as it is designated in the exam.

Q1

IC  
192



b) (i) A decrease in taxes would cause a shift in aggregate demand to the right, since consumers will be able to spend more.

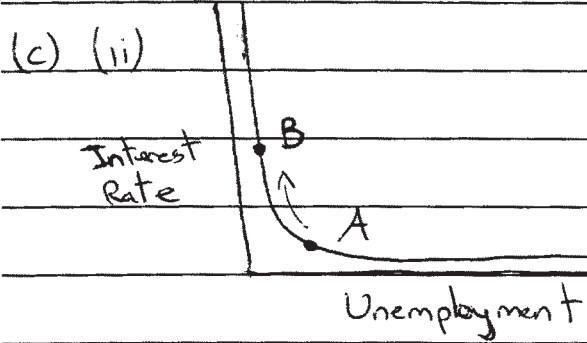


c) (i) In the long-run, the short-run aggregate supply curve will shift to the left as a result of the unemployment rate being greater than the natural rate of unemployment.

Q1

Write in the box the number of the question you are answering on this page as it is designated in the exam.

1C  
2 of 2



The shift of the short-run aggregate supply curve to the left will cause interest rates to increase. As a result, the unemployment will decrease.

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**2009 SCORING COMMENTARY (Form B)**

**Question 1**

**Sample: 1A**

**Score: 9**

The student earned all 9 points for this question.

**Sample: 1B**

**Score: 5**

The student earned both points in part (a). The student earned 1 point in part (b) for concluding that aggregate demand shifts to the right but lost 1 point because the explanation is insufficient. The other points in part (b) were earned. The student lost both points in part (c)(i) for stating that the SRAS becomes vertical in the long run, rather than shifting to the right, and for providing an incorrect explanation. The student lost 1 point in part (c)(ii) for not shifting the short-run Phillips curve.

**Sample: 1C**

**Score: 2**

The student earned 1 point in part (a) for the correctly labeled graph and vertical LRAS. The student lost 1 point in part (a) because the short-run equilibrium level of output is not to the left of the LRAS curve. The student earned 1 point in part (b)(i) for stating that AD shifts to the right, but the explanation is insufficient and did not earn a point. No connection is made between lower income taxes, higher disposable income, and higher consumption spending. Both points in part (b)(ii) were lost because the Phillips curve graph has a label of interest rate on the vertical axis and because the movement of point A to point B is reversed. Both points in part (c)(i) were lost because the student asserts that the short-run supply curve will shift to the left, rather than to the right, in the long run. The point in part (c)(ii) was lost because there is no shift in the Phillips curve.