

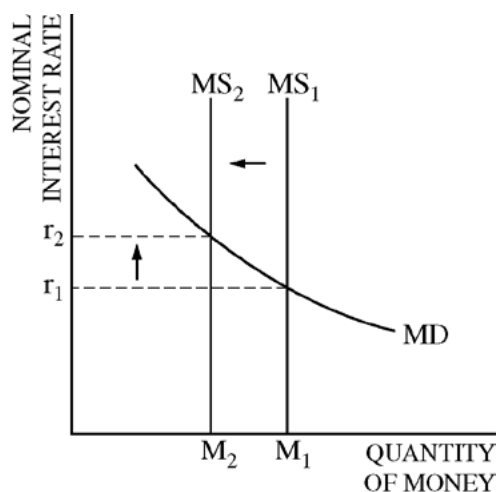
AP[®] MACROECONOMICS
2010 SCORING GUIDELINES (Form B)

Question 2

7 points (1 + 2 + 3 + 1)

(a) 1 point:

- One point is earned for stating that bank loans will decrease.



(b) 2 points:

- One point is earned for a correctly labeled graph of the money market.
- One point is earned for showing a leftward shift of the MS curve and an increase in the nominal interest rate.

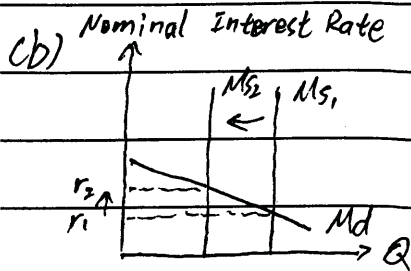
(c) 3 points:

- One point is earned for stating that the price level will fall.
- One point is earned for stating that the real interest rate will rise.
- One point is earned for the explanation that with an increase in the nominal interest rate and a decrease in the price level, the real interest rate increases.

(d) 1 point:

- One point is earned for stating that the ono will appreciate, because the increase in the demand for Sewell's financial assets causes an increase in the demand for the ono.

(a) The amount of customer loans will decrease



(c) (i) Price level will fall because the money in the currency decrease.

(ii) Real interest rate will increase. Real interest rate (i) = Nominal interest rate - Expected inflation rate (e).

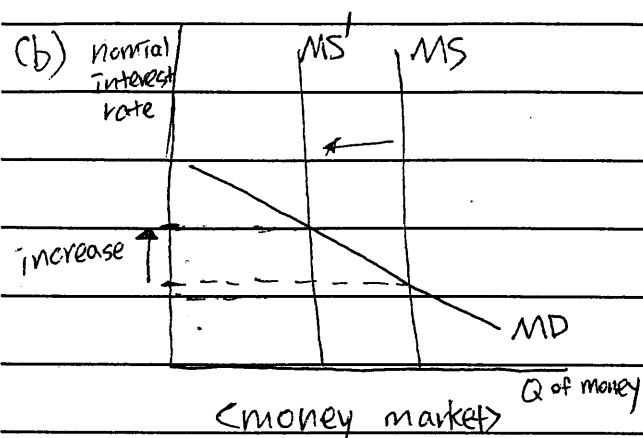
As money supply decrease, the expected inflation rate decrease assuming people can expect inflation rate from central bank's action. And nominal interest rate increases according to the graph in part (b). So real interest rate will increase.

(d) The international value of one will increase. Since the real interest rate increases, the foreigners will put money in lend money to sell because of higher benefit from high interest rate. This causes the demand for one increases, raise raising the international value of one.

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

Q2

(A) it will decrease the amount of customer loans that banks in Sewell can make.



(c) (i) price level decreases.

(ii) Real interest rate increases because demand in loanable funds market increases.

(d) the international value of Sewell's currency will increase because the increase in real interest rate in Sewell attracts the other country's people to invest in Sewell, therefore the demand for Sewell's currency increases.

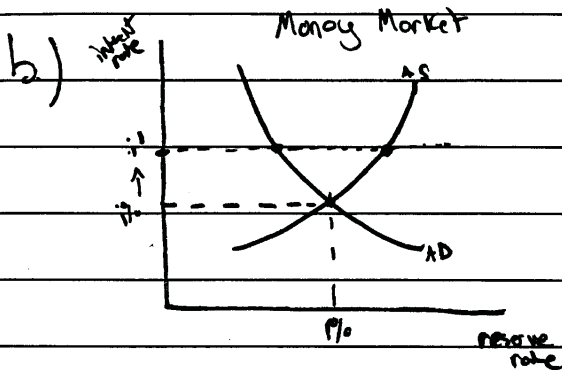
Write in the box the number of the question you are answering on this page as it is designated in the exam.

2C

2

2)

a.) The central bank's action on the amount of consumer loans that banks in Sewell make would affect the nominal interest rate by increasing them.



c.) i.) The price level would decrease.

ii.) The real interest rate would increase as the AS is greater than the AD, so the interest rate would increase to provide an incentive for consumer to put their money into the banks.

d.) Since the real interest rate increases, the international value of Sewell's currency would appreciate because more foreign investment will take place, which strengthens the Ono in comparison to other foreign currencies.

AP[®] MACROECONOMICS
2010 SCORING COMMENTARY (Form B)

Question 2

Sample: 2A

Score: 7

The student earned all 7 points for this question.

Sample: 2B

Score: 5

The student lost 1 point in part (c) for an incorrect explanation. The student lost 1 point in part (d) because the higher interest rate is not tied to greater investment in financial assets.

Sample: 2C

Score: 2

The student earned 2 points in part (c) for stating that the price level would fall and the real interest rate would rise.