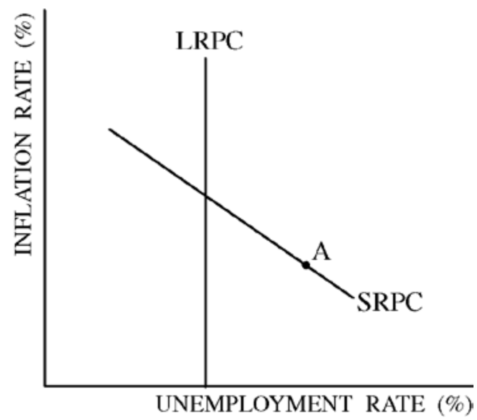
AP® Macroeconomics
2011 Scoring Guidelines

The College Board

AP® MACROECONOMICS
2011 SCORING GUIDELINES

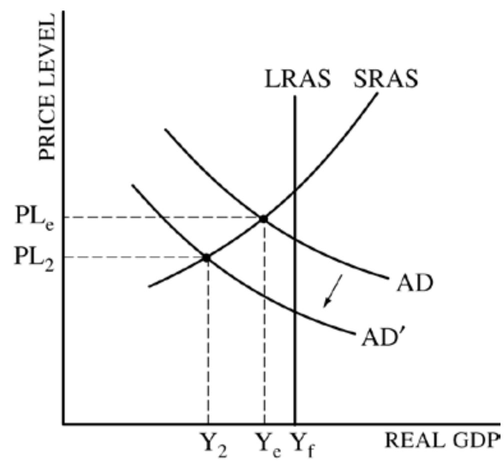
Question 1

11 Points (2 + 2 + 1 + 4 + 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 a vertical long-run Phillips curve (LRPC) and the point A to the right of the LRPC on the SRPC.



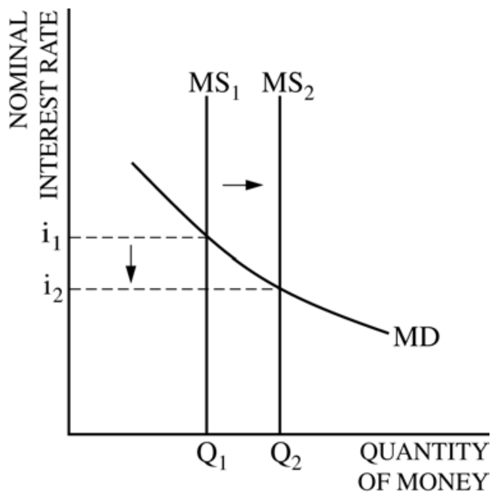
(b) 2 points:

- One point is earned for a correctly labeled graph of AD/AS showing the equilibrium output, Y_e, and price level, PL_e.
- One point is earned for showing Y_f to the right of Y_e.

(c) 1 point:

- One point is earned for showing a leftward shift of the AD curve and indicating Y_2 and PL_2.

Question 1 (continued)



(d) 4 points:

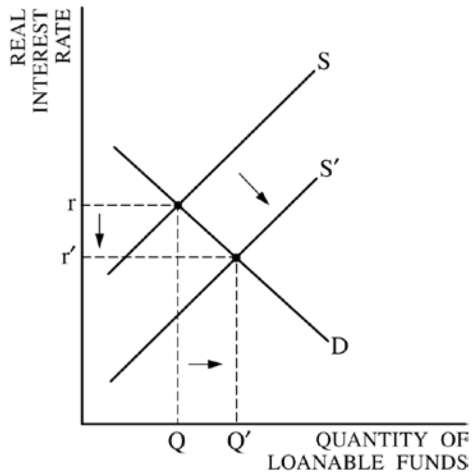
- One point is earned for stating that the Federal Reserve should buy bonds.
- One point is earned for a correctly labeled graph of the money market.
- One point is earned for showing a rightward shift of the money supply curve, resulting in a lower nominal interest rate.
- One point is earned for concluding that the price level will increase because the Federal Reserve action increases interest-sensitive spending (e.g., investment and consumption) and aggregate demand.

(e) 2 points:

- One point is earned for stating that the short-run aggregate supply will increase because wages and other input prices will decrease.
- One point is earned for stating that the natural rate of unemployment remains unchanged.

Question 2

6 points (3 + 3)



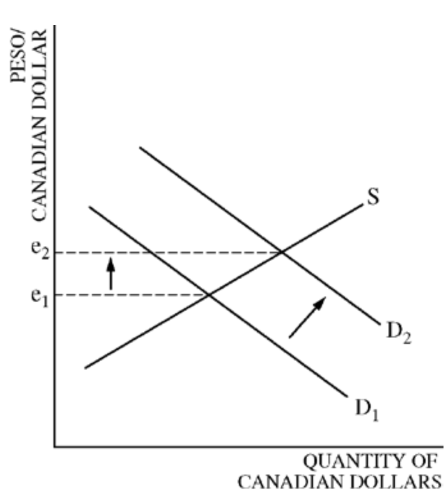
(a) (i) 1 point:

- One point is earned for drawing a correctly labeled graph of the loanable funds market and showing a rightward shift of the supply curve and the change in the real interest rate.

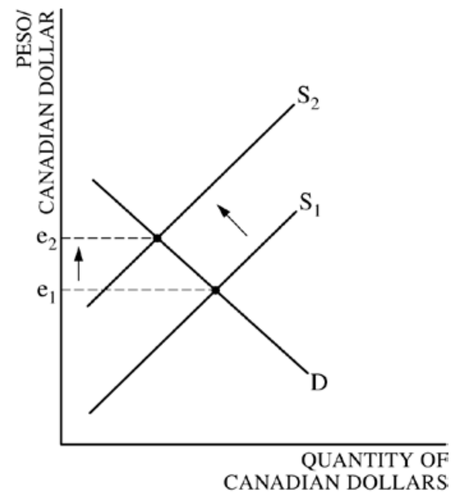
(ii) 2 points:

- One point is earned for stating that the decrease in the real interest rate caused interest-sensitive spending to increase.
- One point is earned for stating that the increase in aggregate demand increases output, which causes an increase in employment.

Question 2 (continued)



OR



(b) (i) 2 points:

- One point is earned for a correctly labeled graph of the foreign exchange market for the Canadian dollar.
- One point is earned for showing a rightward shift of the demand curve and/or a leftward shift of the supply curve and for showing an appreciation of the Canadian dollar.

(ii) 1 point:

- One point is earned for stating that Canadian exports to Mexico will decrease because the appreciation of the Canadian dollar makes Canadian products more expensive for Mexican consumers.

Question 3

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

(a) 1 point:

- One point is earned for calculating the correct required reserve ratio of 0.2.

(b) 2 points:

- One point is earned for stating that the excess reserves will increase by $5,000.
- One point is earned for stating that the change in demand deposits is zero.

(c) 1 point:

- One point is earned for calculating the increase in the money supply:
  5 × $5,000 = $25,000.

(d) 1 point:

- One point is earned for stating that the price of bonds will increase because the purchase of bonds increases the money supply, which decreases the interest rate.

(e) 1 point:

- One point is earned for stating that the cash deposit will not immediately change the money supply.