
AP[®] Macroeconomics

Sample Student Responses and Scoring Commentary Set 1

Inside:

Free Response Question 2

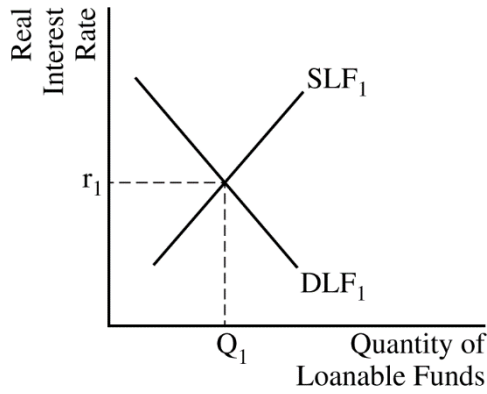
- Scoring Guideline**
- Student Samples**
- Scoring Commentary**

Question 2: Short

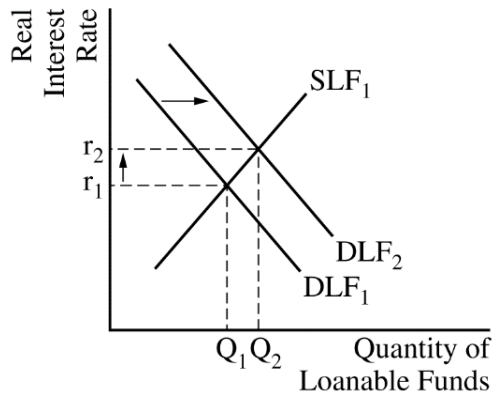
5 points

(a) State that the country could implement one of the following fiscal policy actions: increase government spending, increase transfer payments, or decrease taxes. **1 point**

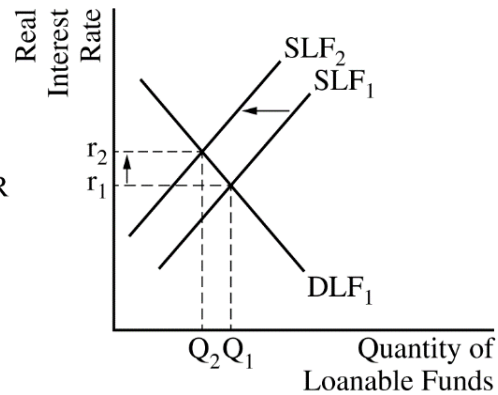
(b) Draw a correctly labeled graph of the loanable funds market. **1 point**



For the second point, the graph must show a rightward shift in the demand for loanable funds curve (or a leftward shift in the supply of loanable funds curve), resulting in an increase in the equilibrium real interest rate. **1 point**



OR



Total for part (b) 2 points

(c) (i) State that net exports will decrease and explain that the increase in the real interest rate will increase the demand for the country’s currency, which will cause the country’s currency to appreciate and make domestic goods relatively more expensive than foreign goods, thereby decreasing exports. **1 point**

(ii) State that the stock of physical capital will decrease and explain that the increase in the real interest rate will discourage investment spending in physical capital. **1 point**

Total for part (c) 2 points

Total for question 2 5 points

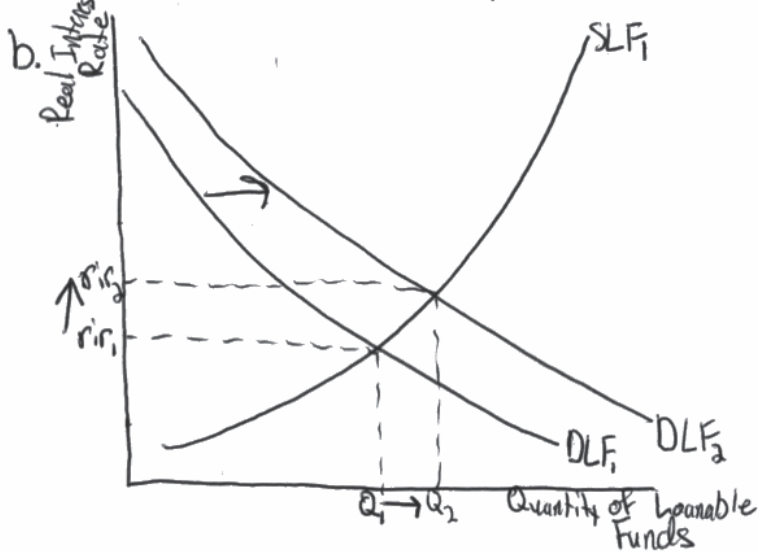
Q2 Sample A Page 1 of 1

Question 1 Question 2 Question 3



Begin your response to each question at the top of a new page.

a. Increase government spending



c. i. Decrease because when interest rates increase, foreign investors want to put their money into the country to get a higher return, so the demand for the country's currency increases, causing it to appreciate. ~~the~~ The country's exports are now relatively more expensive to other countries, so ~~the~~ ^{the others} will buy less, meaning net exports goes down.

ii. Decrease because when interest rates increase, interest-sensitive spending decreases, meaning businesses invest less in ~~the~~ physical capital.

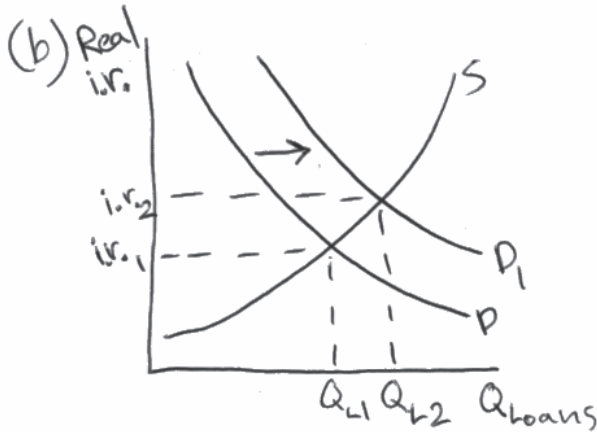
Q2 Sample B Page 1 of 1

Question 1 Question 2 Question 3



Begin your response to each question at the top of a new page.

~~(a)~~ (a) Increase in government spending



(c)(i) Net exports will decrease ~~decrease~~ as real interest rate increases. Other countries will import less.

(ii) The stock of physical capital will increase as the quantity of loans increases.

Q2 Sample C Page 1 of 1

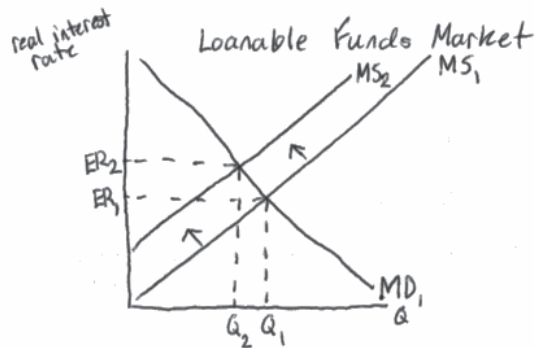
Question 1 Question 2 Question 3



Begin your response to each question at the top of a new page.

(a) A country's government could increase government spending to restore full employment.

(b)



(c) Net exports will **decrease** due to the increase in money supply. This increase will give businesses the money needed to produce goods and services. ~~As~~ the increase also gives money to individuals who can pay for these goods and services.

The stock of physical capital will increase. This is due to the fact that there is more money in circulation.

Question 2

Note: Student samples are quoted verbatim and may contain spelling and grammatical errors.

Overview

The question examined students' understanding of the impact of fiscal policy on the loanable funds market, net exports, and the stock of physical capital.

The question begins with an economy currently operating below full employment: In part (a), students were asked to identify a fiscal policy action the country's government could implement to restore full employment.

In part (b) students were asked to draw a correctly labelled graph of the loanable funds market and show the impact of the fiscal policy action identified in (a) on the equilibrium real interest rate.

In part (c), based solely on the real interest rate change in part (b), students were asked to show what will happen to (i) net exports and explain and (ii) the stock of physical capital and explain.

Sample: 2A

Score: 5

- The response earned 1 point in part (a) for identifying a correct fiscal policy action.
- The response earned 1 point in part (b) for drawing a correctly labeled loanable funds market graph and earned 1 point for correctly shifting the demand curve to the right and showing an increase in the real interest rate.
- The response earned 1 point in part (c)(i) for stating that net exports will decrease and for correctly explaining that the increase in the equilibrium real interest rate will attract foreign investors, leading to an appreciation of the country's currency, which makes the country's exports relatively more expensive.
- The response earned 1 point in part (c)(ii) for stating that the stock of physical capital will decrease because investment spending (interest-sensitive, businesses invest less) decreases.

Sample: 2B

Score: 3

- The response earned 1 point in part (a) for identifying a correct fiscal policy action.
- The response earned 1 point in part (b) for drawing a correctly labeled loanable funds market graph and earned 1 point for correctly shifting the demand curve to the right and showing an increase in the real interest rate.
- The response did not earn the point in part (c)(i) for not explaining why net exports will decrease.
- The response did not earn the point in part (c)(ii) for stating that the stock of physical capital will increase.

Sample: 2C

Score: 1

- The response earned 1 point in part (a) for identifying a correct fiscal policy action.
- The response did not earn the 2 points in part (b) for not drawing a correctly labeled graph of the loanable funds market graph.
- The response did not earn the point in part (c)(i) for not explaining why net exports will decrease.
- The response did not earn the point in part (c)(ii) for stating that the stock of physical capital will increase.