

2021

AP[®]

 CollegeBoard

AP[®] Macroeconomics

Scoring Guidelines

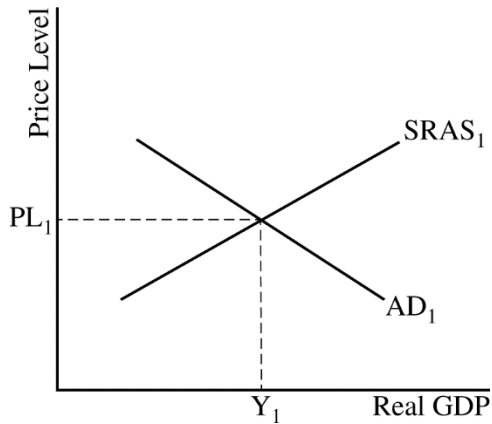
Set 1

Question 1: Long

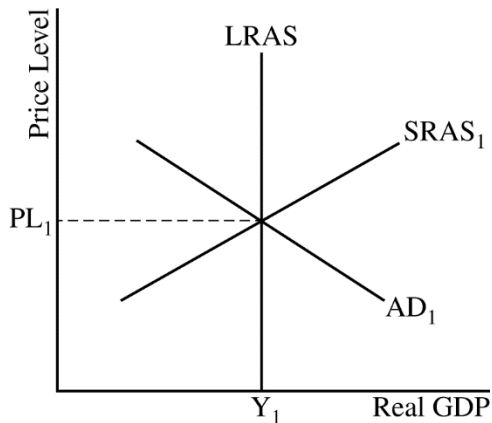
10 points

(a) State that the Swedish capital and financial account is in deficit and explain that the current account is in surplus and the sum of the current account and the capital and financial account must equal zero ($CA + CFA = 0$). **1 point**

(b) Draw a correctly labeled aggregate demand–aggregate supply graph that shows PL_1 and Y_1 at the intersection of AD and SRAS. **1 point**

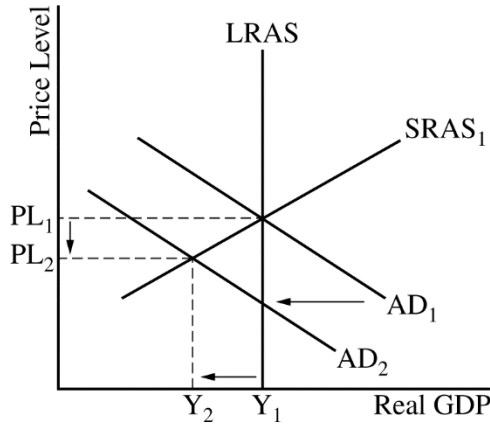


For the second point, the graph must show a vertical LRAS curve at equilibrium real output Y_1 . **1 point**



Total for part (b) 2 points

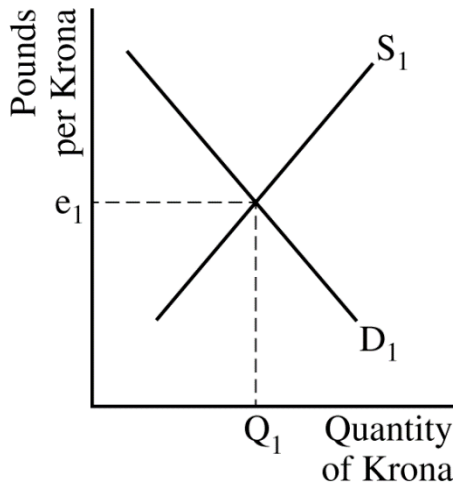
- (c) On the graph from part (b), show the impact of the decrease in imports with a leftward shift of the AD curve, a decrease in real output to Y_2 , and a decrease in the price level to PL_2 . **1 point**



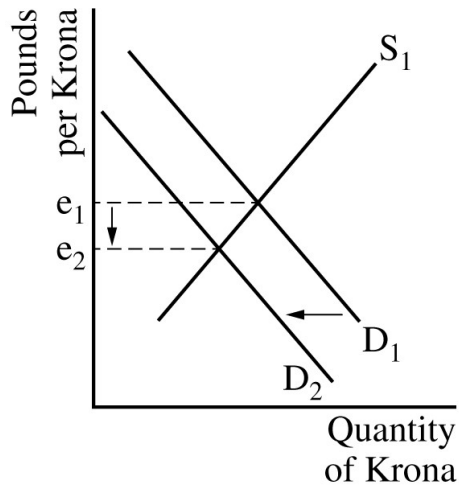
- (d) State that policymakers would be more concerned about cyclical unemployment than inflationary pressures and explain that the decline in exports to the United Kingdom lowered real output below full employment, resulting in unemployment above the natural rate of unemployment. **1 point**

- (e) State that the Swedish central bank should buy bonds. **1 point**

- (f) Draw a correctly labeled graph of the foreign exchange market for the krona. **1 point**



For the second point, the graph must show a leftward shift of the demand curve for the krona, resulting in a decrease in the value of the krona. **1 point**



Total for part (f) 2 points

(g) State that Sweden’s central bank should sell bonds. **1 point**

(h) Explain that selling bonds would decrease the money supply and increase interest rates in Sweden, which would increase financial capital inflows into Sweden and increase the demand for the krona, thereby leading to an appreciation of the krona. **1 point**

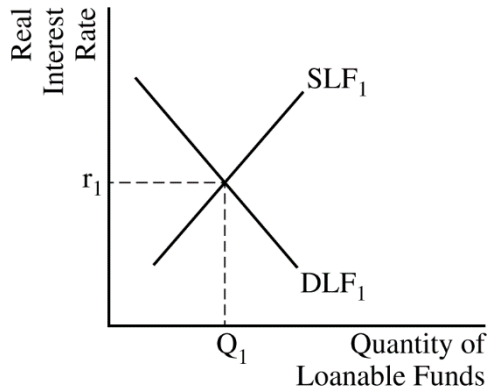
Total for question 1 10 points

Question 2: Short

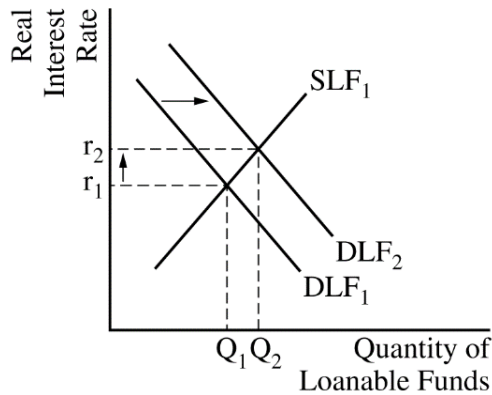
5 points

(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**

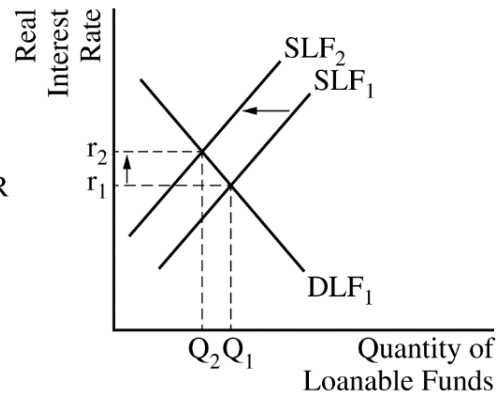
(b) Draw a correctly labeled graph of the loanable funds market. **1 point**



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

Question 3: Short**5 points**

(a) State that the cyclical rate of unemployment in Flowerland is 2%. **1 point**

(b) (i) State that aggregate demand will increase and explain that net exports will increase. **1 point**

(ii) State that cyclical unemployment will decrease. **1 point**

Total for part (b) 2 points

(c) Calculate the price index for year 2020 as 130 and show your work. **1 point**

$$\frac{\text{Value of the market basket in 2020}}{\text{Value of the market basket in 2019}} \times 100 = \frac{(\$4 \times 40) + (\$25 \times 4)}{(\$3 \times 40) + (\$20 \times 4)} \times 100 = \frac{\$260}{\$200} \times 100 = 130$$

(d) State that the standard of living of the average citizen of Flowerland will decrease and explain that the increase in nominal income (20%) is less than the inflation rate (30%). **1 point**

Total for question 3 5 points