
AP[®] Macroeconomics

Sample Student Responses and Scoring Commentary Set 1

Inside:

Free-Response Question 3

- Scoring Guidelines
- Student Samples
- Scoring Commentary

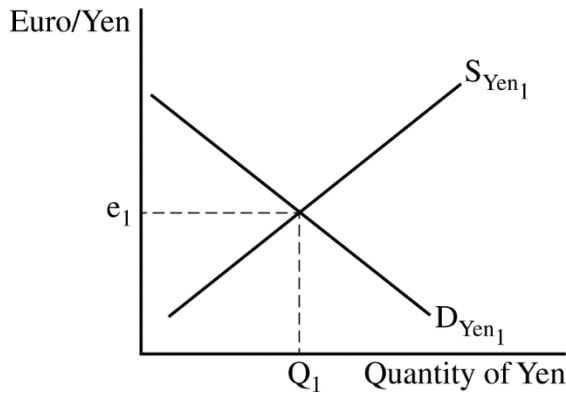
Question 3: Short

5 points

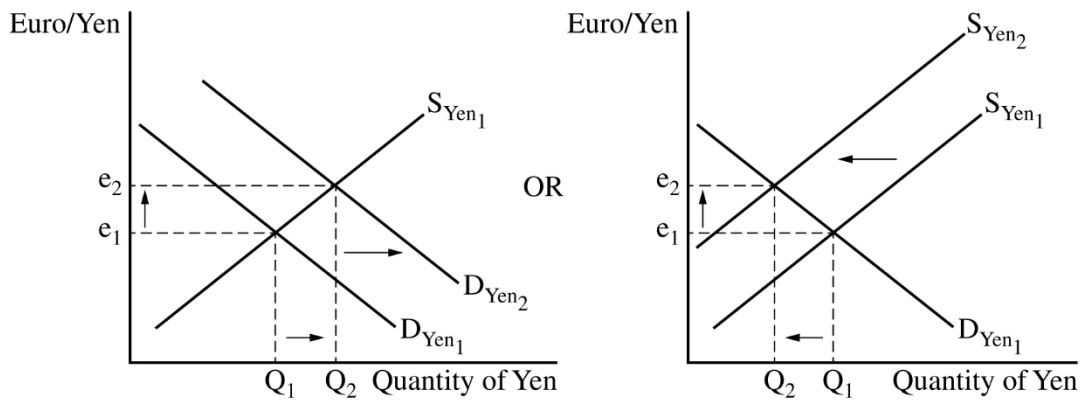
- (a) State that the price of the coat is 12,000 yen. **1 point**

- (b) State that net financial capital flows from Italy to Japan will increase. **1 point**

- (c) Draw a correctly labeled graph of the foreign exchange market for the Japanese yen. **1 point**



For the second point, the graph must show a rightward shift in the demand curve for yen (or a leftward shift in the supply curve of yen), resulting in an appreciation of the yen. **1 point**



Total for part (c) 2 points

- (d) State that Italy’s exports will increase and explain that the appreciation of the yen makes Italian goods relatively less expensive than Japanese goods and/or makes Japanese goods relatively more expensive than Italian goods. **1 point**

Total for question 3 5 points

- **Important:** Completely fill in the circle that corresponds to the question you are answering on this page.

Question 1

Question 2

Question 3



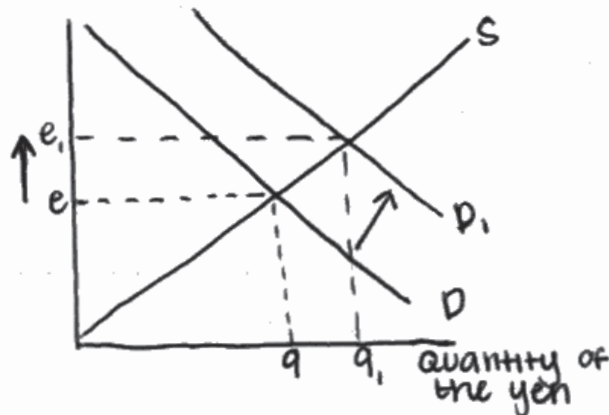
Begin your response to each question at the top of a new page.

a. $120 \times 100 = 12,000$

The Italian coat will cost 12,000 yen.

- b. If real interest rates increase in Japan, net financial capital will flow from Italy to Japan, causing the yen to appreciate.

c. $\frac{\text{Euro}}{\text{Yen}}$



the value of the yen increases (appreciates)

- d. Italy's exports to Japan will increase. Because the value of the yen appreciated, Italian goods are relatively cheaper since it now takes more euros to buy the same amount of yen. Japan will demand more goods from Italy due to their cheaper price, causing Italy's exports to Japan to increase.

● Important: Completely fill in the circle that corresponds to the question you are answering on this page.

Question 1

Question 2

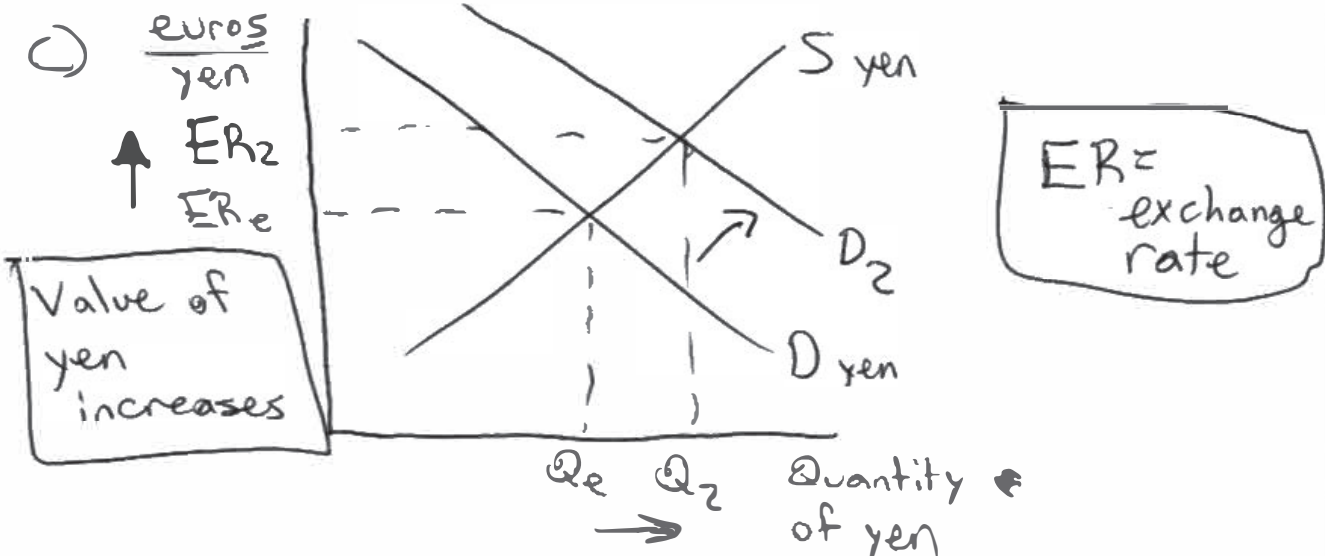
Question 3



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

A) 1 euro = 100 yen
 120 euro = 100(120) yen
 120 euro Italian coat costs 12,000 yen

B) Italians will want to buy more Japanese assets so the capital will flow out of Japan as Italians buy more.



D) Italy's ~~exports~~ exports ~~to~~ to Japan will increase. Due to the increase in the value of the yen Italian goods will become relatively cheaper to the Japanese. The Japanese people will therefore buy more Italian goods increasing Italy's exports to Japan.

Important: Completely fill in the circle that corresponds to the question you are answering on this page.

Question 1

Question 2

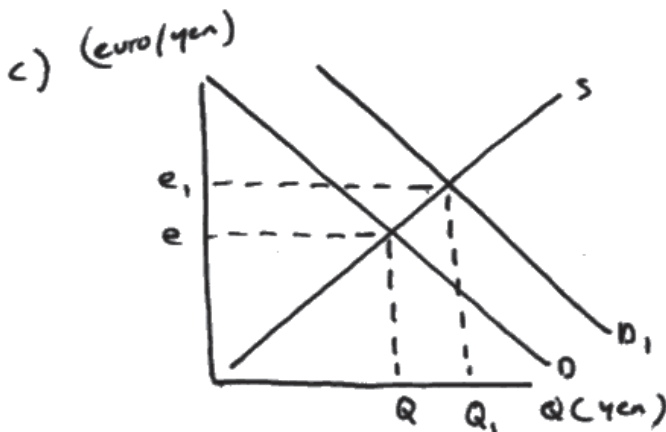
Question 3



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

a) $\frac{120}{100} = \text{¥}120,000 \text{ yen}$

b) If real interest rates increase in Japan, Italy will import more from Japan and export less to Japan, and Japan will export more to Italy and import less from.



d) The yen appreciates relative to the Italian euro, so Italy will export less to Japan and import more.

Question 3

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

Overview

The question examined students' understanding of the foreign exchange market and how changes in the real interest rate affect financial capital flows, the value of the currency, and net exports. In part (a) students were asked to find the price of an Italian coat in yen, given the exchange rate between the euro and the yen and the cost of the coat in euros. In part (b) students were asked to identify what will happen to net financial capital flows between Italy and Japan if real interest rates increase in Japan. In part (c) students were asked to draw a correctly labeled graph of the foreign exchange market for the yen and show the effect of the increase in real interest rates in Japan on the value of the yen. Finally, in part (d) students were asked to identify and explain what will happen to Italy's exports to Japan as a result of the change in the value of the yen.

Sample: 3A

Score: 5

The response earned the point in part (a) for stating that the coat will cost 12,000 yen. The response earned the point in part (b) for stating that net financial capital will flow from Italy to Japan. The response earned the first point in part (c) for drawing a correctly labeled graph of the foreign exchange market for the yen. The response earned the second point in part (c) for shifting the demand curve to the right and showing an appreciation of the yen. The response earned the point in part (d) for stating that Italy's exports to Japan will increase and explaining that Italian goods will be relatively less expensive than Japanese goods.

Sample: 3B

Score: 4

The response earned the point in part (a) for stating that the coat will cost 12,000 yen. The response did not earn the point in part (b) because it states that capital will flow out of Japan. The response earned the first point in part (c) for drawing a correctly labeled graph of the foreign exchange market for the yen. The response earned the second point in part (c) for shifting the demand curve for yen to the right and showing an appreciation of the yen. The response earned the point in part (d) for stating that Italy's exports to Japan will increase and explaining that Italian goods will be relatively less expensive than Japanese goods.

Sample: 3C

Score: 2

The response did not earn the point in part (a) because it states that the coat will cost 120,000 yen. The response did not earn the point in part (b) because it does not assert that net financial capital flows to Japan will increase. The response earned the first point in part (c) for drawing a correctly labeled graph of the foreign exchange market for the yen. The response earned the second point in part (c) for shifting the demand curve for yen to the right and showing an appreciation of the yen. The response did not earn the point in part (d) because it states that exports from Italy to Japan will decrease.