2022

AP® CollegeBoard

AP® Macroeconomics

Sample Student Responses and Scoring Commentary Set 2

Inside:

Free-Response Question 3

☑ Scoring Guidelines

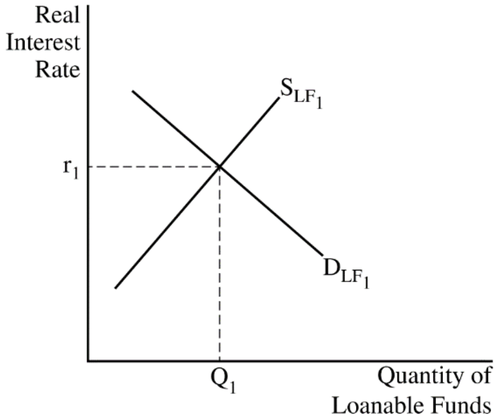
☑ Student Samples

☑ Scoring Commentary

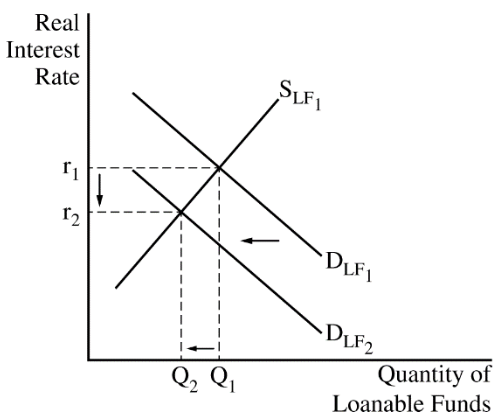
Question 3: Short — 5 points

(a) State increase taxes, decrease government spending, or decrease transfer payments. **1 point**

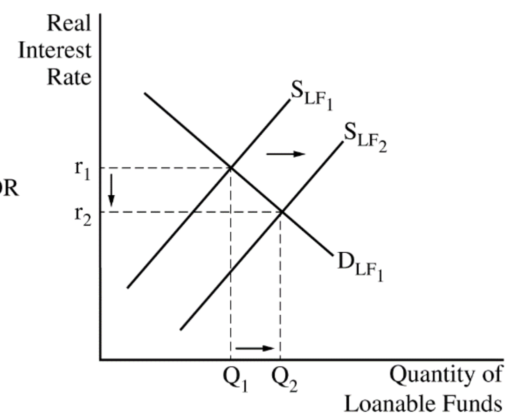
(b) Draw a correctly labeled graph of the loanable funds market. **1 point**



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



OR



Total for part (b) 2 points

(c) (i) State that aggregate demand will increase and explain that interest-sensitive spending (consumption, investment, or net exports) will increase. **1 point**

(ii) State that potential real output will increase and explain that the decrease in the real interest rate means the cost of borrowing has decreased, which increases investment spending on plant and equipment and increases capital formation. **1 point**

Total for part (c) 2 points

Total for question 3 5 points

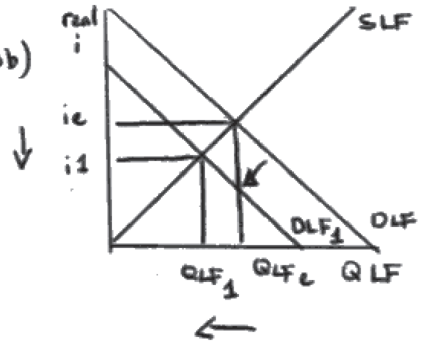
Important: Completely fill in the circle that corresponds to the question you are answering on this page.

Question 1 ○ **Question 2** ○ **Question 3** ●

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

3a) One Fiscal Policy the government would take to reduce the national debt is by increasing taxes / decreasing spending (contractionary FP)

3b)



↓ real interest rate

3ci) AD will increase in the short run since on ↓r → ↑I (cheaper to borrow money) (Investment; an component of AD) → ↑AD → PL↑, RGDP↑, UE↓

3cii) Potential real output will ↑ since ↓r → ↑I → ↑AD → ↑PL, ↑ Real output (RGDP), ↓UE

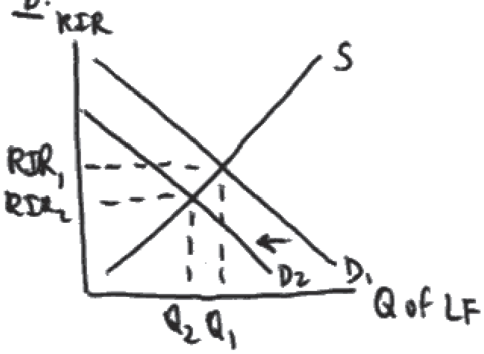
Important: Completely fill in the circle that corresponds to the question you are answering on this page.

Question 1 ○ Question 2 ○ Question 3 ●

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

a. A fiscal policy that the gov. could take to reduce debt would be to increase taxes.

b.



c.

i. Aggregate demand in the short-run decreases because real interest rates decrease making more people less likely to spend as they would put their money in savings accounts due to the decrease in the real interest rate.

ii. Potential real output stays the same as inflation decreases with less spending due to higher taxes, and nominal output decreases due to more people putting their money in savings accounts due to the decrease in real interest rates.

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

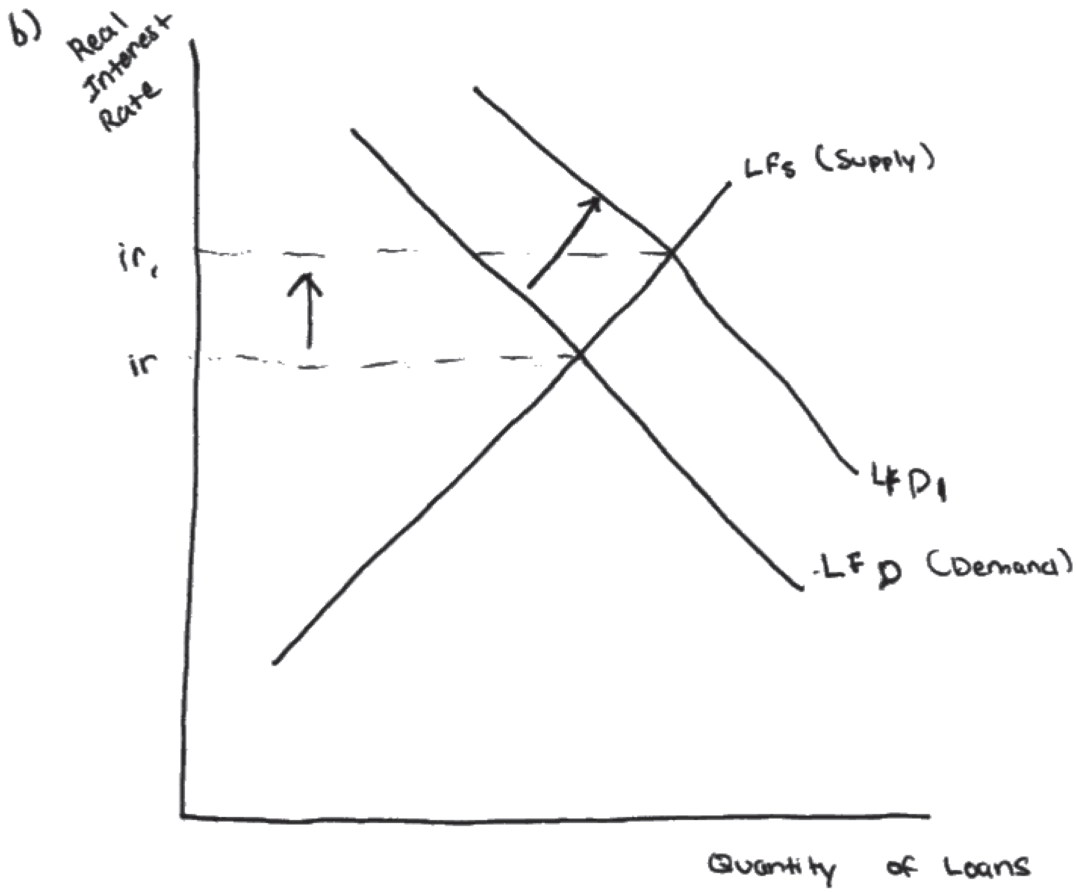
Question 1 ○ Question 2 ○ Question 3 ●

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

3a) The government can increase taxes to reduce the national debt.

Loanable funds market

b)



• real interest rate increases

Ci) In the short run aggregate demand will stay the same as in the short run aggregate demand is constant.

Cii) Potential real output will decrease as business investment and consumer spending will decrease. Both of these factors are part of GDP.

Question 3

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 government debt and the loanable funds market and the resulting short- and long-run effects of a change in the real interest rate. Part (a) required students to identify one specific policy action the government could take to reduce the national debt. In part (b) students were asked to draw a correctly labeled graph of the loanable funds market and show the effect of the fiscal policy action identified in part (a) on the real interest rate. In part (c) students were asked to identify and explain what would happen to aggregate demand in the short run and potential real output as a result of the change in the real interest rate.

Sample: 3A
Score: 4

The response earned 1 point in part (a) for stating that the government should increase taxes and decrease spending. The response earned the first point in part (b) for a correctly labeled graph of the loanable funds market. The response earned the second point in part (b) for correctly shifting the demand for loanable funds to the left and showing a decrease in the equilibrium real interest rate. The response earned 1 point in part (c)(i) for stating that aggregate demand will increase and explaining that interest sensitive spending increases. The response did not earn the point in part (c)(ii) because it does not explain that potential real output increases because capital formation will increase.

Sample: 3B
Score: 3

The response earned 1 point in part (a) for stating that the government should increase taxes. The response earned the first point in part (b) for drawing a correctly labeled graph of the loanable funds market. The response earned the second point in part (b) for correctly shifting the demand for loanable funds curve to the left and showing a decrease in the equilibrium real interest rate. The response did not earn the point in part (c)(i) because it states aggregate demand will decrease. The response did not earn the point in part (c)(ii) because it states potential real output stays the same.

Sample: 3C
Score: 2

The response earned 1 point in part (a) for stating that the government can increase taxes. The response earned the first point in part (b) for a correctly labeled graph of the loanable funds market. The response did not earn the second point in part (b) because it shows a shift to the right of the demand for loanable funds. The response did not earn the point in part (c)(i) because it states aggregate demand will stay the same. The response did not earn the point in part (c)(ii) because it does not explain that the change in potential output is due to a change in capital formation.