AP® MICROECONOMICS
2009 SCORING GUIDELINES (Form B)

Question 3

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

(a) 1 point:
- One point is earned for concluding that City Wheels maintains its current fare, since \$180 > \$120.

(b) 2 points:
- One point is earned for stating that Easy Ride does NOT have a dominant strategy.
- One point is earned for explaining that Easy Ride's best move depends on City Wheels' move.

(c) 1 point:
- One point is earned for stating that the profit to Easy Ride is \$150 and the profit to City Wheels is \$180.

(d) 1 point:
- One point is earned for stating that the cooperative solution is for both to maintain their current fares.

(e) 1 point:
- One point is earned for showing the correct entries in the new payoff matrix as follows:

		City Wheels: Maintain Fare	City Wheels: Lower Fare
Easy Ride	Maintain Fare	\$150, \$180	\$130, \$160
Easy Ride	Lower Fare	\$160, \$130	\$180, \$150

Write in the box the number of the question you are answering on this page as it is designated in the exam.

3

3A

3. (a) City Wheels' strategy will be maintaining fare. When Easy Ride maintains its fare, City Wheels will have two choices, either to maintain Fare and get $180 versus $120 for lowering it. Choosing the $180 will be the rational selection.

(b) Easy Ride has no dominant strategy. When City Wheels maintains fares, Easy Ride will choose to maintain it and when City Wheels choose to lowers its fare, Easy Ride will lower it also

(C) City wheel's profit - $180

Easy Ride's profit - $150

(d) Both of the companies will choose to maintain its fare.

(e)

		City Wheels: Maintain Fare	City Wheels: Lower Fare
Easy Ride	Maintain Fare	$150, $180	$130, $160
Easy Ride	Lower Fare	$160, $130	$180, $150

Write in the box the number of the question you are answering on this page as it is designated in the exam.

③ a,b,c,d,e

3B

③

(a) City wheels should maintain its current fare if Easy Ride does. In that case, it would make a daily profit of $180, whereas if it lowered its fare it would only make $120.

(b) The dominant strategy for Easy Ride is to maintain its fare. If it used the maximax strategy, maintaining fare would result in the greatest possible profit. In the maximin strategy, maintaining fare results in the least loss.

(c) If both do not cooperate, they will both choose to maintain their fares. City wheels will make $180 and Easy Ride will make $150.

(d) In cooperation, both would still choose to maintain fares as it results in the greatest daily profit for each firm.

(e)

		Citywheels: Maintain Fare	Citywheels: Lower Fare
Easy Ride	Maintain Fare	$150, $180	~~$130, $160~~
	Lower Fare	$160, $130	~~$180, $150~~

3

Write in the box the number of the question you are answering on this page as it is designated in the exam.

3C

(a) Maintain Fare if city wheels lower fare than its going to be $130, $120 wheras if they maintain fare it will be $150, $180.

(b) No

(c) both will ~~maintain fare~~. lower fare

(d) both will maintain fare

(e)

easy ride

	city wheels: Maintain	city wheels: lower
Maintain	~~$150 $180~~	$130, $160
lower	~~$160 $130~~	~~$160, $160~~

AP® MICROECONOMICS
2009 SCORING COMMENTARY (Form B)

Question 3

Sample: 3A
Score: 6

The student earned all 6 points for this question.

Sample: 3B
Score: 4

The student earned 1 point in part (a). The student lost both points in part (b) for stating that Easy Ride has a dominant strategy and for an incorrect explanation. The student earned all 3 points in parts (c), (d), and (e).

Sample: 3C
Score: 2

The student lost 1 point in part (a) because the response does not clearly compare the $180 of profit City Wheels would earn for maintaining the fare against the $120 that would be earned by lowering the fare. The student earned 1 point in part (b) for answering "No," but there is no explanation given, so the second point was lost. The student lost 1 point in part (c) because correct profits for each firm are not given. The point in part (d) was earned. The student lost 1 point in part (e) because the new payoff matrix is incorrect. The payoffs in the lower-right cell of the matrix are incorrect.