



**AP[®] Macroeconomics
2004 Scoring Guidelines
Form B**

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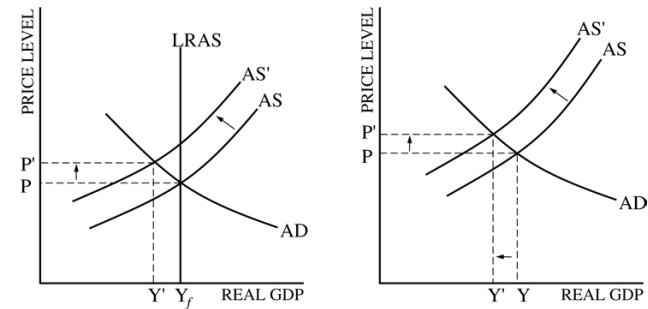
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Question 1

12 points (3+2+5+2)



(a) 3 points:

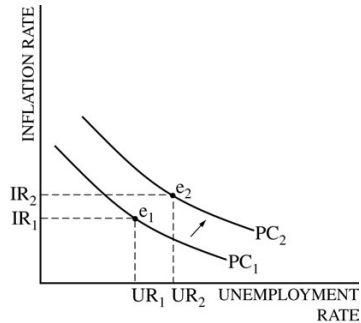
- 1 - Correctly labeled AD/AS graph. P, Q, S, and D are acceptable as labels provided there is some indication that it is an aggregate graph (PL, RGDP, AD, or AS)
- 1 - Leftward shift in AS curve
- 1 - P increases and Q decreases

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Question 1 (cont'd.)

(b) 2 points:



- 1 - Correctly labeled graph of the Phillips curve
- 1 - Rightward shift in the PC (points e_1 and e_2 are not necessary)

(c) 5 points:

- 1 - The real interest rate will decrease
- 1 - The lower real interest rate will cause investment to increase. (Must make the link between the lower interest rate and the investment increase.)
- 1 - The increase in investment shifts the AD curve to the right. (Must mention the investment link.)
- 1 - Price level increases
- 1 - Real output increases

(d) 2 points:

- 1 - AS shifts to the right
- 1 - Real output increases and price level decreases

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Question 2

8 points (2+2+2+2)

(a) 2 points:

- 1 - The increased demand for Canadian financial assets raises the demand for the Canadian dollar
- 1 - The international value of the Canadian dollar will increase

(b) 2 points:

- 1 - The appreciation of the Canadian dollar decreases the price of imports and increases the price of exports. (Just saying that imports increase and exports decrease due to the appreciation is insufficient.)
- 1 - Canadian net exports will fall

(c) 2 points:

- 1 - The supply of funds will increase
- 1 - The real interest rate will fall

(d) 2 points: Answers here must be consistent with the interest rate change in (c)

- 1 - Investment in plant and equipment will increase
- 1 - Because the real interest rate will decrease

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Question 3

6 points (2+2+2)

(a) 2 points:

- 1 – One-fifth of a unit of food
- 1 – 10 units of cloth

(b) 2 points:

- 1 – Beeland
- 1 – Newland

(c) 2 points:

- 1 – Newland
- 1 – The opportunity cost of producing food has not changed in Beeland

The following is an optional explanation of the answers to (b) and (c):

The opportunity cost of producing a unit of food in Newland is 5 units of cloth. The opportunity cost of producing a unit of food in Beeland is 10 units of cloth. Newland has a lower opportunity cost of producing food and thus a comparative advantage in food production.