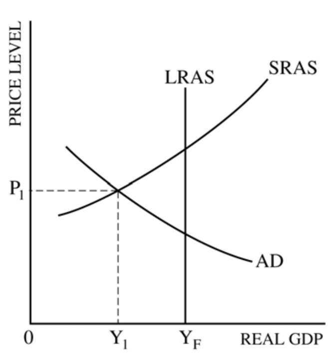
AP® Macroeconomics
2006 Scoring Guidelines
Form B

The College Board: Connecting Students to College Success

Question 1

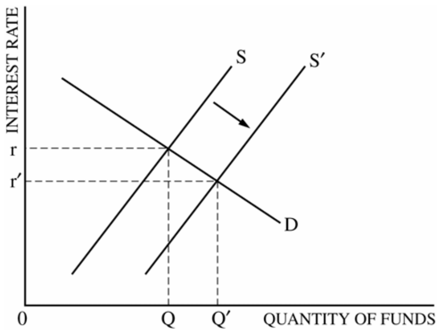
11 points (3 + 4 + 2 + 2)



(a) 3 points:
- One point is earned for a correctly labeled graph.
- One point is earned for a vertical LRAS at full employment.
- One point is earned for showing the current output and price level.

(b) 4 points:
- One point is earned for shifting SRAS curve to the right.
- One point is earned for explaining that wages decrease, lowering the cost of production.
- One point is earned for concluding that employment will increase.
- One point is earned for explaining that real output is rising.

Question 1 (continued)



(c) 2 points:
- One point is earned for a correctly labeled graph.
- One point is earned for a rightward shift of the supply curve causing the interest rate to fall.

(d) 2 points:
- One point is earned for stating that LRAS will shift to the right.
- One point is earned for explaining that lower real rates increase investment, which increases the capital stock.

Question 2

6 points (2 + 2 + 2)

(a) 2 points:
- One point is earned for stating that there is no impact.
- One point is earned for explaining that only the composition of the MS changes.

(b) 2 points:
- One point is earned for indicating $7,200.
- One point is earned for indicating $36,000.

(c) 2 points:
- One point is earned for stating that money supply increases.
- One point is earned for stating that money demand increases because income increases.

Question 3

7 points (4 + 1 + 2)

(a) 4 points:
- One point is earned for stating that demand for Canadian dollars will decrease.
- One point is earned for explaining that Korean demand for Canadian goods will decrease.
- One point is earned for stating that demand for Canadian dollars will fall.
- One point is earned for explaining that Korean demand for Canadian financial assets will decrease.

(b) 1 point:
- One point is earned for concluding that Canadian dollars will depreciate.

(c) 2 points:
- One point is earned for stating that Canadian exports to Korea will increase.
- One point is earned for explaining that Koreans will find Canadian goods relatively cheaper.