



AP[®] Macroeconomics 2008 Scoring Guidelines Form B

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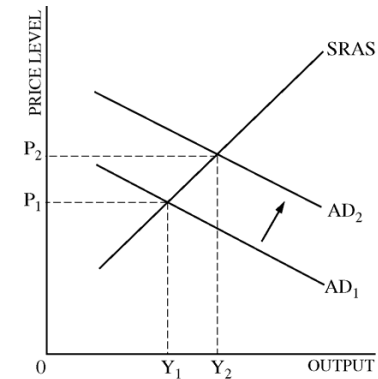
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Question 1

11 points: (2 + 2 + 2 + 3 + 2)

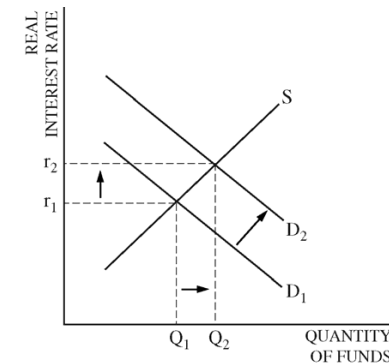
(a) 2 points:

- One point is earned for stating that the aggregate demand will increase.
- One point is earned for recognizing that the short-run aggregate supply is not affected.



(b) 2 points:

- One point is earned for a correctly labeled graph of aggregate demand and aggregate supply.
- One point is earned for showing a rightward shift of the aggregate demand curve and showing an increase in both real output and the price level.



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Question 1 (continued)

(c) 2 points:

- One point is earned for a correctly labeled graph of the loanable-funds market.
- One point is earned for showing a rightward shift of the demand curve for funds and concluding that the real interest rate will rise. (A leftward shift of the supply curve is accepted.)

(d) 3 points:

- One point is earned for stating that the supply of Country Z's currency will decrease.
- One point is earned for the explanation that the higher interest rate reduces the outflow of funds to countries that now have a relatively lower interest rate.
- One point is earned for concluding that the value of Country Z's currency will rise or Country Z's currency will appreciate.

(e) 2 points:

- One point is earned for stating that Country Z's exports will decrease.
- One point is earned for the explanation that the appreciating currency makes Country Z's goods relatively more expensive.

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Question 2

7 points (3 + 3 + 1)

(a) 3 points:

- One point is earned for stating yes for Mexican consumers.
- One point is earned for stating no for Mexican manufacturers.
- One point is earned for the explanation that reducing tariffs will cause the domestic price of automobiles to fall in Mexico, lowering the production of cars in Mexico.

(b) 3 points:

- One point is earned for indicating that the current account will move toward a deficit.
- One point is earned for the explanation that the reduction in tariff increases imports relative to exports.
- One point is earned for stating that the capital account will move toward a surplus.

(c) 1 point:

- One point is earned for concluding that aggregate demand will decrease.

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Question 3

7 points (1 + 2 + 2 + 2)

(a) 1 point:

- One point is earned for calculating today's GDP = $(\$6 \times 400) + (\$2 \times 1,000) + (\$2 \times 800) = \$6,000$.

(b) 2 points:

- One point is earned for stating that the inflation rate is 50 percent $[(150-100)/100]$.
- One point is earned for calculating this year's real GDP = $\$6,000/1.5 = \$4,000$.

(c) 2 points:

- One point is earned for stating that real wages would fall.
- One point is earned for the explanation that the wages rose by only 20 percent as compared to the inflation rate of 50 percent, causing a 30 percent fall in real wages.

(d) 2 points:

- One point is earned for concluding that a borrower would be better off.
- One point is earned for the explanation that, due to the higher inflation, the borrower is paying back the loan using fewer real dollars.