



AP[®] Macroeconomics 2015 Scoring Guidelines

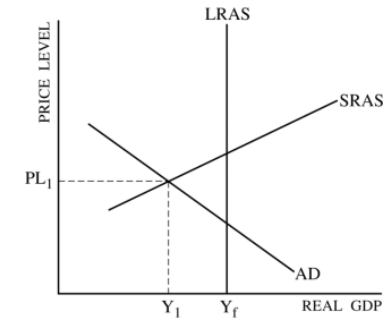
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Question 1

10 points (2+1+2+3+2)

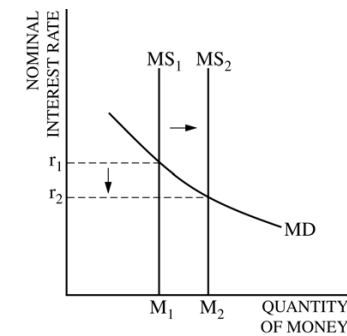


(a) 2 points:

- One point is earned for drawing a correctly labeled graph showing AD, SRAS, Y_1 and PL_1 .
- One point is earned for drawing a vertical LRAS at Y_f to the right of Y_1 .

(b) 1 point:

- One point is earned for stating that the Federal Reserve should target a lower federal funds rate.



(c) 2 points:

- One point is earned for drawing a correctly labeled money market graph.
- One point is earned for shifting the money supply curve to the right and showing a decrease in the nominal interest rate.

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Question 1 (continued)

(d) 3 points:

- One point is earned for calculating the minimum required change in government spending: \$60 billion ($\$300/5 = \60).
- One point is earned for stating that the minimum required change in taxes will be greater than the minimum required change in government spending.
- One point is earned for explaining that the tax multiplier ($mpc/mps = 0.8/0.2 = 4$) is smaller than the government spending multiplier ($1/mps = 1/0.2 = 5$) because part of the initial increase in disposable income caused by the decrease in income tax will be saved rather than spent.

(e) 2 points:

- One point is earned for stating that aggregate demand will increase and for explaining that lower income tax rates will increase disposable income and/or consumption and investment.
- One point is earned for stating that long-run aggregate supply will stay the same because lowering income taxes will increase consumption and/or investment, or there is no change in inputs.
OR
One point is earned for stating that long-run aggregate supply will increase in the long run because lowering taxes will increase savings and investment in physical capital, or because of increased incentives to work.
OR
One point is earned for stating that long-run aggregate supply will decrease in the long run because lowering taxes leads to a crowding out of private investment.

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Question 2

5 points (1+1+2+1)

(a) 1 point:

- One point is earned for stating that Country Y has an absolute advantage in producing solar panels.

(b) 1 point:

- One point is earned for calculating the opportunity cost of a furnace for Country Y: 2 solar panels per furnace.

(c) 2 points:

- One point is earned for stating that Country X has the comparative advantage in producing furnaces.
- One point is earned for explaining that Country X has a lower opportunity cost of producing furnaces than Country Y.

(d) 1 point:

- One point is earned for stating that Country X should produce solar panels domestically.

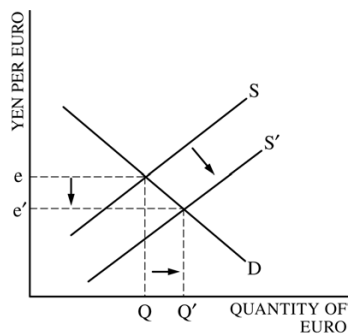
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Question 3

6 points (2+3+1)

(a) 2 points:

- One point is earned for stating that the real interest rate in Japan will increase in the short run because the supply of loanable funds will decrease or the demand for loanable funds will increase.
- One point is earned for stating that private domestic investment in plant and equipment in Japan will decrease.



(b) 3 points:

- One point is earned for drawing a correctly labeled graph of the foreign exchange market for the euro.
- One point is earned for showing that the supply curve for euros shifts to the right and for concluding that the yen price of the euro decreases.
- One point is earned for explaining that the European purchases of Japanese financial assets will increase due to the relatively higher rate of return in Japan.

(c) 1 point:

- One point is earned for stating that European Central Bank should buy euros.