



AP[®] Macroeconomics 2016 Scoring Guidelines

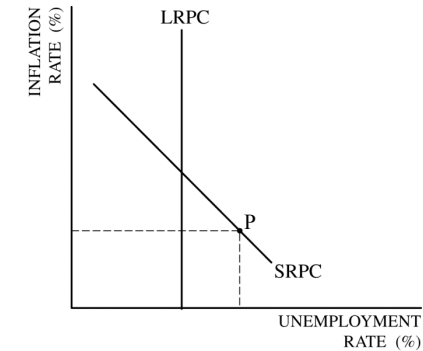
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AP[®] MACROECONOMICS 2016 SCORING GUIDELINES

Question 1

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



- (a) 2 points:
- One point is earned for drawing a correctly labeled graph showing a vertical LRPC and a downward sloping SRPC.
 - One point is earned for showing point P on the SRPC to the right of LRPC.
- (b) 1 point:
- One point is earned for stating that SRPC will shift to the left, and for explaining that producing at a level of output below full employment will create higher unemployment and lower inflationary expectations that will result in lower nominal wages and input costs.
- (c) 1 point:
- One point is earned for stating that the Federal Reserve should buy bonds.
- (d) 2 points:
- One point is earned for stating that the federal funds rate will decrease and for explaining that the money supply will increase, which will increase reserves and decrease the federal funds rate.
 - One point is earned for stating that the real interest rate will decrease in the short run.

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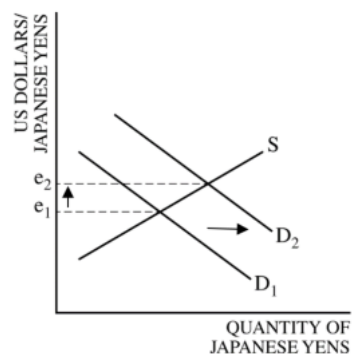
Question 1 (continued)

(e) 1 point:

- One point is earned for stating that real GDP will increase in the short run and for explaining that a decrease in the real interest rate will increase interest-sensitive spending, which includes consumption and investment in plant and equipment, resulting in an increase in aggregate demand.

(f) 1 point:

- One point is earned for stating that the demand for the Japanese yen will increase in the foreign exchange market.



(g) 2 points:

- One point is earned for drawing a correctly labeled graph of the foreign exchange market for the Japanese yen.
- One point is earned for showing a rightward shift of the demand curve for the yen and showing an increase in the dollar price of the yen (appreciating yen).

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Question 2

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

(a) 1 point:

- One point is earned for stating that new loans are zero because the bank has no excess reserves (or because the bank is already fully loaned up).

(b) 1 point:

- One point is earned for correctly calculating the maximum amount of new loans that First Superior Bank can make as \$90 ($= \$100 \times (1 - 0.10)$).

(c) 2 points:

- One point is earned for correctly calculating the maximum change over time in loans in the banking system as \$900 ($= \90×10).
- One point is earned for correctly calculating the maximum change over time in demand deposits in the banking system as \$1,000 ($= \100×10).

(d) 1 point:

- One point is earned for correctly calculating the maximum change over time in the money supply in the banking system as \$900 ($= \90×10).

(e) 1 point:

- One point is earned for stating that the money supply can be smaller than the maximum change identified when the public holds more money and /or banks hold more excess reserves.

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Question 3

5 points (1+1+2+1)

(a) 1 point:

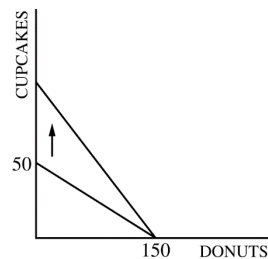
- One point is earned for stating that John has the absolute advantage in producing donuts and for explaining that John can produce more donuts than Erica in one day ($200 > 150$).

(b) 1 point:

- One point is earned for stating that Erica has a comparative advantage in producing donuts and for explaining that Erica's opportunity cost of producing one donut ($1/3$ of a cupcake) is less than John's opportunity cost of producing one donut ($1/2$ of a cupcake).

(c) 2 points:

- One point is earned for indicating that John will benefit from specialization and trade.
- One point is earned for indicating that Erica will not benefit from specialization and trade.



(d) 1 point:

- One point is earned for drawing a correctly labeled graph of Erica's production possibilities curve, before the technology change, and for rotating the production possibilities curve outward showing greater production of cupcakes after the technology change.