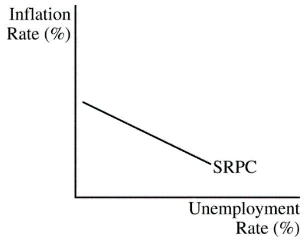
2025

AP® Macroeconomics

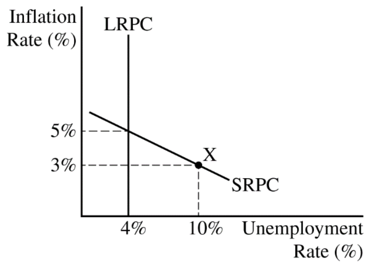
Scoring Guidelines
Set 2

Question 1: Long — 10 points

A Point 1	State that the actual unemployment rate is 10%.	**1 point**
B Point 2	Draw a correctly labeled graph of the short-run Phillips curve (SRPC).	**1 point**



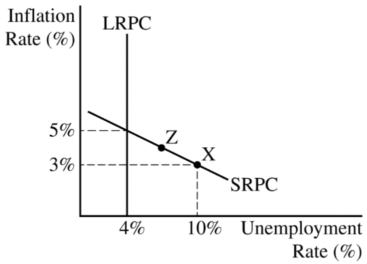
Point 3	The graph must include a vertical long-run Phillips curve (LRPC) at the natural rate of unemployment (4%), the expected inflation rate (5%) at the intersection of the SRPC and the LRPC, and a point labeled X on the SRPC to the right of the LRPC at the actual unemployment rate (10%) and the actual inflation rate (3%).	**1 point**



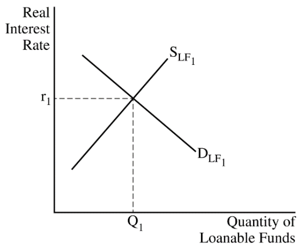
C Point 4	State an increase in government spending, a decrease in taxes, or an increase in transfer payments.	**1 point**

D (i) Point 5 — State that the government budget will move into deficit and explain that government outlays exceed revenue. **1 point**

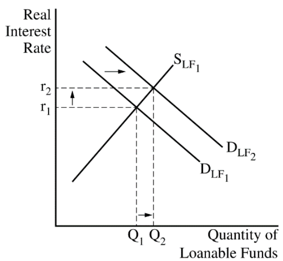
(ii) Point 6 — On the graph from part B, show a point labeled Z on the SRPC to the left of point X. **1 point**



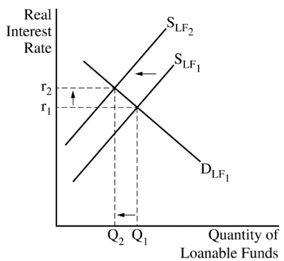
(iii) Point 7 — Draw a correctly labeled graph of the loanable funds market. **1 point**



Point 8 — The graph must show an increase in the demand for loanable funds (or a decrease in the supply of loanable funds), resulting in an increase in the equilibrium real interest rate. **1 point**



OR

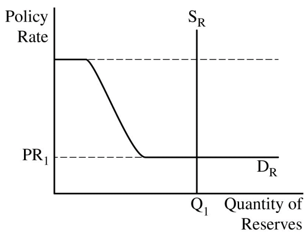


E Point 9 — State that Barrikos' capital and financial account (CFA) will move into surplus and explain that international investors will seek higher returns on financial capital in Barrikos, which will increase financial capital inflows into Barrikos. **1 point**

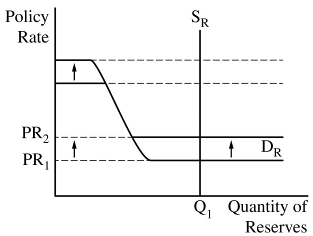
F Point 10 — State that Barrikos' currency will appreciate and explain that demand for the currency will increase (or the supply of the currency will decrease). **1 point**

Question 2: Short — 5 points

A Point 1	State that the central bank would increase its administered interest rates or increase interest on reserves.	**1 point**
B Point 2	Draw a correctly labeled graph of the reserve market with the supply curve intersecting the demand curve in the range of ample reserves.	**1 point**

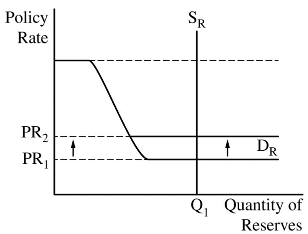


Point 3	The graph must show an increase in the administered interest rates, resulting in an increase in the policy rate.	**1 point**



OR

The graph must show an increase in the lower bound of the demand curve for reserves, resulting in an increase in the policy rate.

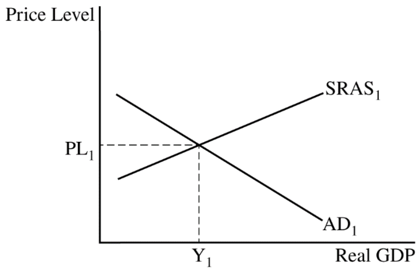


C (i) Point 4	State that the price of previously issued bonds will decrease.	**1 point**
(ii) Point 5	State that the price level will decrease and explain that the increase in interest rates will decrease interest-sensitive spending (consumption, investment, or net exports), which will decrease aggregate demand.	**1 point**

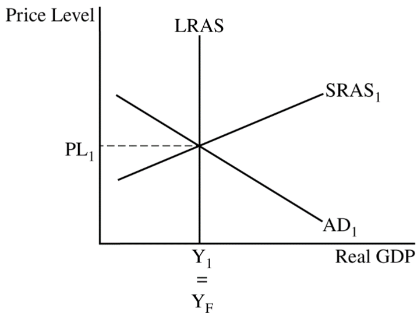
Question 3: Short — 5 points

A

Point 1 — Draw a correctly labeled aggregate demand–aggregate supply graph that shows PL_1 and Y_1 at the intersection of the aggregate demand (AD) and short-run aggregate supply (SRAS) curves. **1 point**

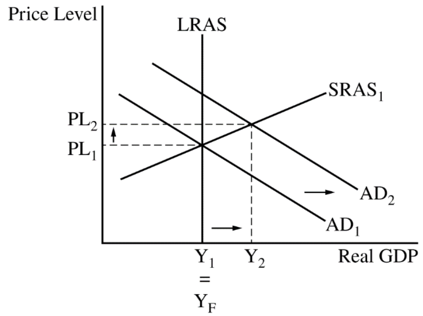


Point 2 — The graph must show a vertical long-run aggregate supply (LRAS) curve at equilibrium real output $Y_1 = Y_F$. **1 point**



B

Point 3 — On the graph from part A, show the short-run effect of the increase in real income in Thailand as a rightward shift of Nepal's aggregate demand curve, resulting in an increase in real output, labeled Y_2, and an increase in the price level, labeled PL_2. **1 point**



C

Point 4 — Calculate the minimum change in government spending as a decrease of 100 million rupees and show your work. **1 point**

$$\text{Min Change} = \frac{-400 \text{ million rupees}}{\frac{1}{(1-0.75)}} = \frac{-400 \text{ million rupees}}{4} = -100 \text{ million rupees}$$

D

Point 5 — Explain that as real income rises, tax revenues will increase automatically (and/or transfer payments will decrease automatically), thereby slowing the rate at which disposable income is increasing, which will slow consumption growth. **1 point**