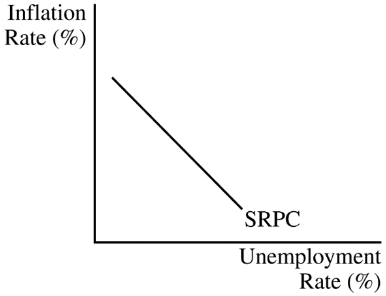
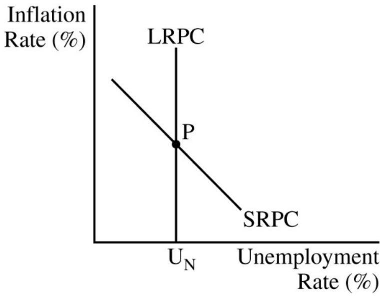
Question 1: Long — 10 points

A Point 1 — Draw a correctly labeled graph of the short-run Phillips curve (SRPC). **1 point**

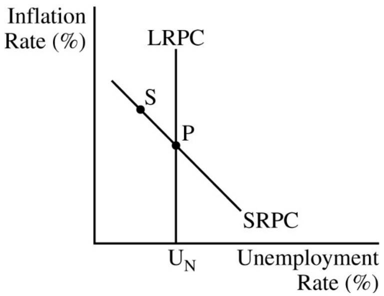


Point 2 — The graph must include a correctly labeled long-run Phillips curve (LRPC) and show a point labeled P at the intersection of the short-run and long-run Phillips curves. **1 point**

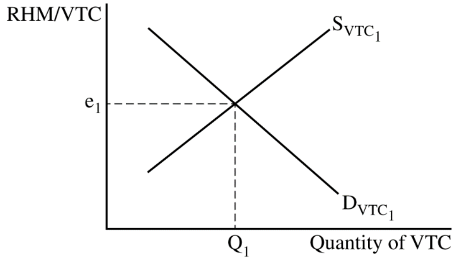


B (i) Point 3 — State that real output will increase and explain that the new residential construction projects increase investment spending, which increases aggregate demand. **1 point**

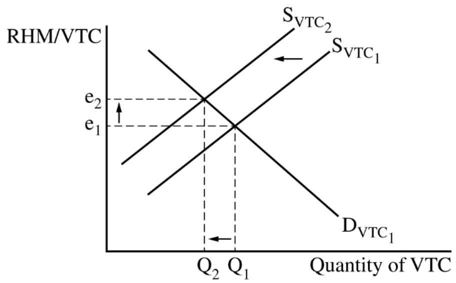
(ii) Point 4 — On the graph from part A, show a point labeled S on the SRPC to the left of point P. **1 point**



C Point 5 — Draw a correctly labeled graph of the foreign exchange market for the Vortanian crown. **1 point**



Point 6 — The graph must show a leftward shift in the supply curve of the Vortanian crown, resulting in an appreciation of the Vortanian crown. **1 point**



D Point 7 — State that Vortania's net exports will decrease. **1 point**

E (i) Point 8 — State that the capital and financial account (CFA) balance in Vortania will move into surplus and explain that the current account (CA) moved into deficit and the balance of payments must balance (CA+CFA=0). **1 point**

(ii) Point 9 — State that employment in Vortania will decrease. **1 point**

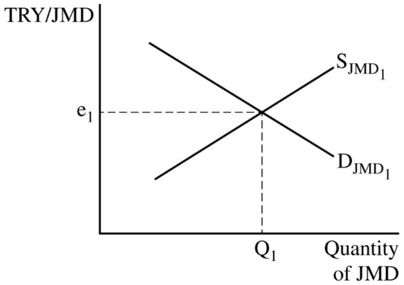
F Point 10 — State that the central bank of Vortania would sell Vortanian crowns in the foreign exchange market and explain that the increased supply of the Vortanian crown will cause it to depreciate. **1 point**

Question 3: Short — 5 points

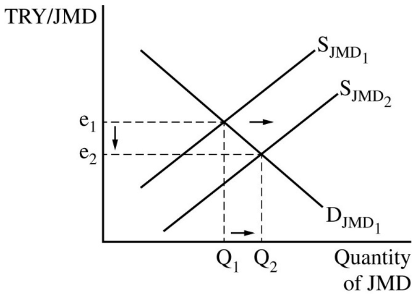
(a) State an increase in government spending, a decrease in taxes, or an increase in transfer payments. — **1 point**

(b) State that Jamaica's net exports will decrease and explain that Jamaican demand for international goods will increase as a result of the increase in Jamaica's real income, which will increase Jamaican imports. — **1 point**

(c) Draw a correctly labeled graph of the foreign exchange market for the Jamaican dollar. — **1 point**



For the second point, the graph must show an increase in the supply of the Jamaican dollar, resulting in a depreciation of the Jamaican dollar. — **1 point**



Total for part (c) — **2 points**

(d) State that Jamaica's capital and financial account (CFA) will move into surplus and explain that the current account (CA) moved into deficit and the balance of payments must balance (CA+CFA=0). — **1 point**

Total for question 3 — **5 points**

Question 2: Short — 5 points

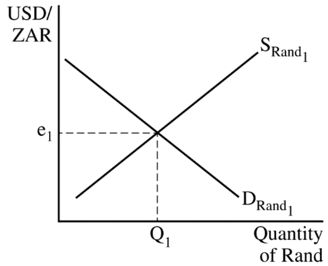
(a) State that United States net exports will decrease and explain that the demand for goods from South Africa will increase, which increases United States imports. — **1 point**

(b) (i) State that the capital and financial account balance in the United States will move into surplus. — **1 point**

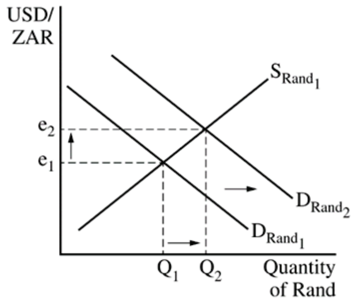
(ii) State that actual unemployment in South Africa will decrease in the short run and explain that South African exports will increase, which will increase aggregate demand and real GDP in South Africa. — **1 point**

Total for part (b) — **2 points**

(c) Draw a correctly labeled graph of the foreign exchange market for the rand. — **1 point**



For the second point, the graph must show a rightward shift in the demand curve for the rand, resulting in an appreciation of the rand. — **1 point**



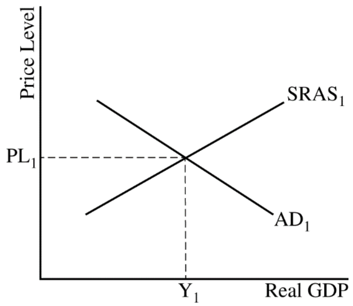
Total for part (c) — **2 points**

Total for question 2 — **5 points**

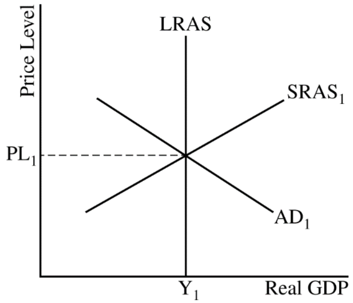
Question 1: Long — 10 points

(a) State that the Swedish capital and financial account is in deficit and explain that the current account is in surplus and the sum of the current account and the capital and financial account must equal zero (CA + CFA = 0). — **1 point**

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



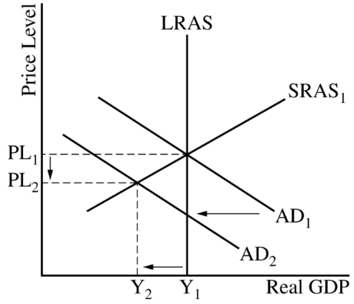
For the second point, the graph must show a vertical LRAS curve at equilibrium real output Y_1. — **1 point**



Total for part (b) — **2 points**

AP Macroeconomics: **2021 Set 1**

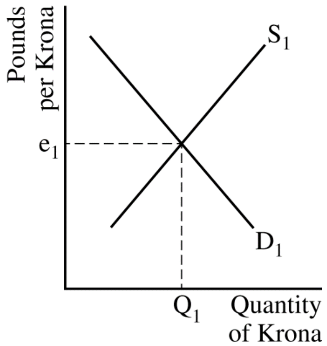
(c) On the graph from part (b), show the impact of the decrease in imports with a leftward shift of the AD curve, a decrease in real output to Y_2, and a decrease in the price level to PL_2. — **1 point**



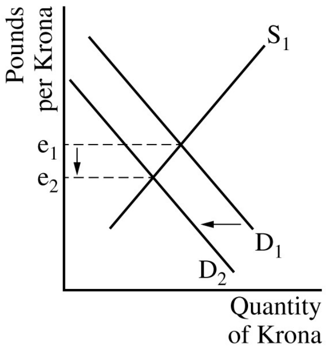
(d) State that policymakers would be more concerned about cyclical unemployment than inflationary pressures and explain that the decline in exports to the United Kingdom lowered real output below full employment, resulting in unemployment above the natural rate of unemployment. — **1 point**

(e) State that the Swedish central bank should buy bonds. — **1 point**

(f) Draw a correctly labeled graph of the foreign exchange market for the krona. — **1 point**



	For the second point, the graph must show a leftward shift of the demand curve for the krona, resulting in a decrease in the value of the krona.	**1 point**



	Total for part (f)	**2 points**
(g)	State that Sweden's central bank should sell bonds.	**1 point**
(h)	Explain that selling bonds would decrease the money supply and increase interest rates in Sweden, which would increase financial capital inflows into Sweden and increase the demand for the krona, thereby leading to an appreciation of the krona.	**1 point**
	Total for question 1	**10 points**

2019

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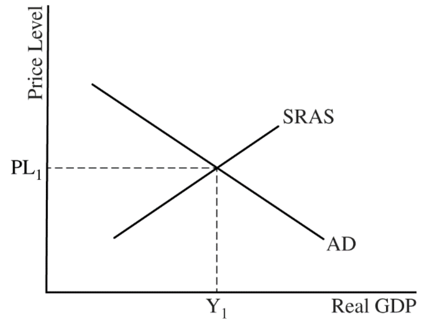
Scoring Guidelines
Set 2

2019 SCORING GUIDELINES

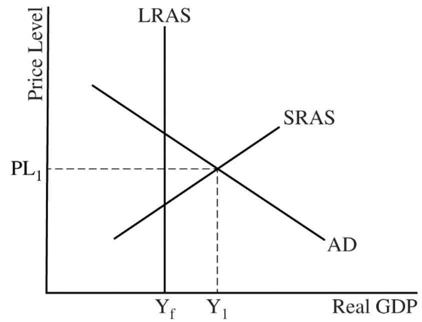
Question 1

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

(a) 2 points



- One point is earned for drawing a correctly labeled graph showing a downward sloping aggregate demand (AD) curve, an upward sloping short-run aggregate supply (SRAS) curve, the equilibrium output level labeled Y_1, and the equilibrium price level labeled PL_1.

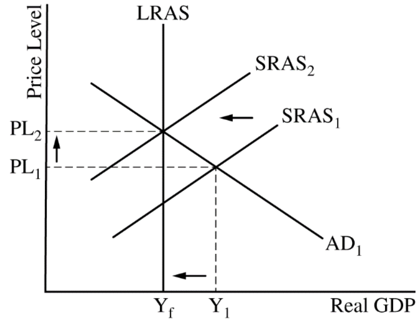


- One point is earned for drawing a correctly labeled vertical long-run aggregate supply (LRAS) curve with full employment output labeled Y_f to the left of the short-run equilibrium output level, Y_1.

2019 SCORING GUIDELINES

Question 1 (continued)

(b) 2 points



- One point is earned for showing a leftward shift in the SRAS curve and for showing PL_2 higher than PL_1.

- One point is earned for explaining that the SRAS curve will shift to the left due to the increase in input prices, nominal wages, or inflationary expectations.

(c) 3 points

- One point is earned for stating a decrease in government spending, a decrease in transfer payments, or an increase in taxes.

- One point is earned for stating that the unemployment rate will increase and the natural rate of unemployment will not change.

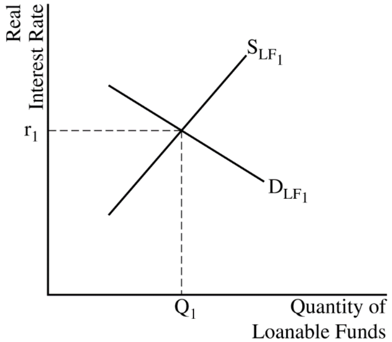
- One point is earned for stating that the automatic adjustment will produce a higher price level than the fiscal policy.

AP Macroeconomics: **2019 Set 2**

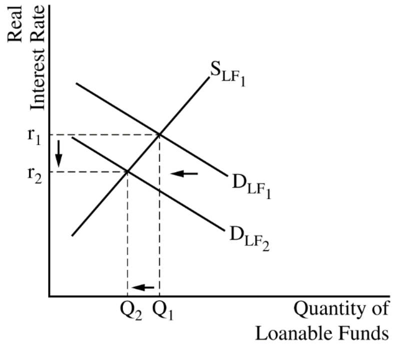
2019 SCORING GUIDELINES

Question 1 (continued)

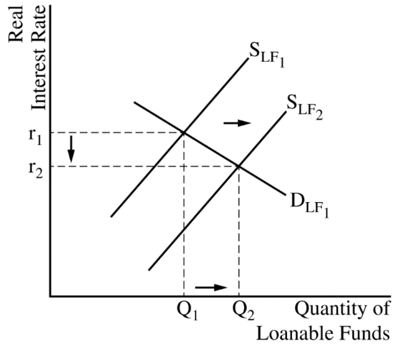
(d) 2 points



- One point is earned for drawing a correctly labeled graph of the loanable funds market.



OR



- One point is earned for showing a leftward shift of the demand for loanable funds curve (or a rightward shift in the supply of loanable funds curve) and a decrease in the real interest rate.

(e) 1 point

- One point is earned for stating that the LRAS curve will shift to the right and for explaining that the lower real interest rate will lead to increased capital formation due to increased investment spending.

2019 SCORING GUIDELINES

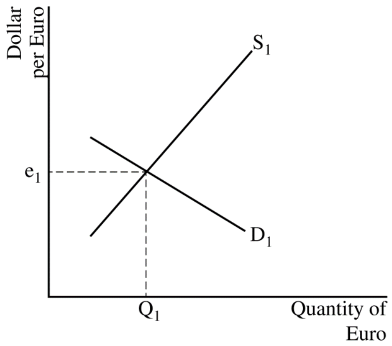
Question 2

5 points (1 + 2 + 2)

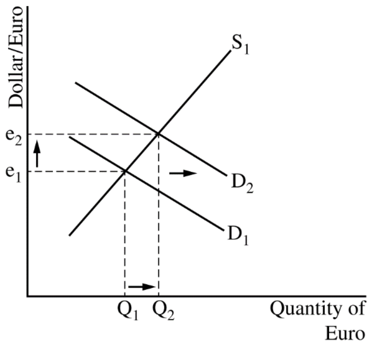
(a) 1 point

- One point is earned for stating that the U.S. current account will be in deficit and for explaining that an increase in the U.S. real GDP increases the U.S.'s demand for European goods and services, which increases imports.

(b) 2 points



- One point is earned for drawing a correctly labeled graph of the foreign exchange market for the euro.



- One point is earned for shifting the demand curve for the euro to the right and showing an increase in the value of the euro relative to the U.S. dollar.

2019 SCORING GUIDELINES

Question 2 (continued)

(c) 2 points

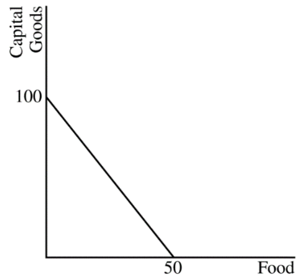
- One point is earned for stating that the demand for the dollar will decrease and for explaining that capital flows from the European Union to the U.S. will decrease.

- One point is earned for stating that the dollar will depreciate.

2019 SCORING GUIDELINES

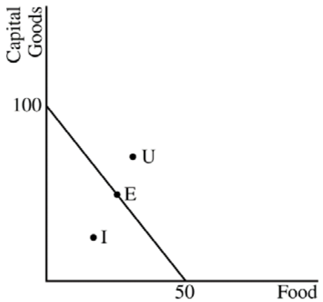
Question 3

5 points (1 + 1 + 1 + 1 + 1)



(a) 1 point

- One point is earned for drawing a correctly labeled production possibilities curve (PPC) for Sweden with food on the horizontal axis, capital goods on the vertical axis, and the relevant numerical values plotted.



(b) 1 point

- One point is earned for showing point I inside the PPC, point E on the PPC, and point U outside the PPC.

(c) 1 point

- One point is earned for stating that Sweden's economic growth rate will slow or be reduced.

2019 SCORING GUIDELINES

Question 3 (continued)

(d) 1 point

- One point is earned for stating that Norway has a comparative advantage in the production of capital goods and for explaining that it has the lowest opportunity cost in producing capital goods (the opportunity cost of producing one unit of capital goods in Norway is 1/4 a unit of food and in Sweden is 1/2 a unit of food).

(e) 1 point

- One point is earned for stating a number between 20 and 40 units of capital.

AP® Macroeconomics
2014 Scoring Guidelines

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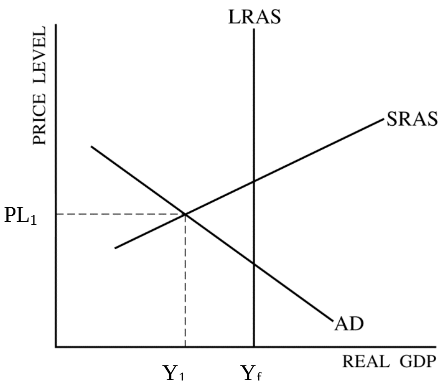
2014 SCORING GUIDELINES

Question 1

11 Points (2+2+1+2+2+2)



2 points:

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

2 points:

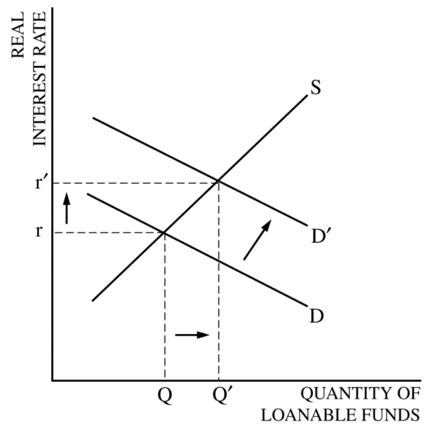
- One point is earned for stating that cyclical unemployment will decrease.
- One point is earned for stating that the natural rate of unemployment will not change.

1 point:

- One point is earned for calculating the maximum change in real GDP:
  Change in GDP = (1/0.25) X $100 billion = $400 billion.

2014 SCORING GUIDELINES

Question 1 (continued)



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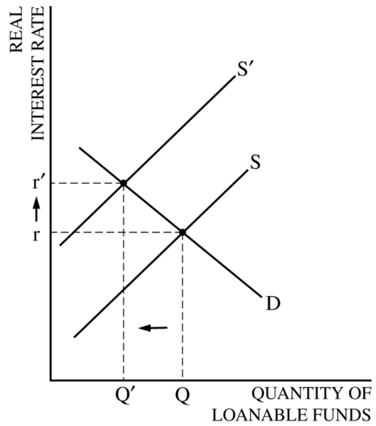


2 points:

- One point is earned for drawing a correctly labeled loanable funds market graph.
- One point is earned for shifting the demand curve to the right (or shifting the supply curve to the left) and showing an increase in the real interest rate.

2 points:

- One point is earned for stating that the economic growth rate will fall.
- One point is earned for explaining that the higher real interest rate will slow down capital formation.

2 points:

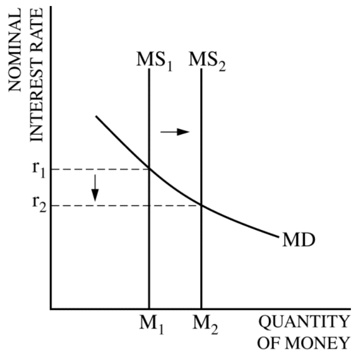
- One point is earned for stating that real gross domestic product will increase.
- One point is earned for explaining that the expansionary effect of the increase in government spending outweighs the contractionary effect of the increase in taxes of the same size. (Or students may explain by calculating the net increase in GDP, $100 billion, or stating the tax multiplier is smaller than the spending multiplier.)

2014 SCORING GUIDELINES

Question 2

6 points (2+2+1+1)

2 points:
- One point is earned for stating that the Federal Reserve will buy government bonds.
- One point is earned for stating that the price of government bonds will increase.



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

1 point:
- One point is earned for stating that the Federal Reserve purchase will not initially affect commercial banks' required reserves.

1 point:
- One point is earned for defining the discount rate as the interest rate that the Federal Reserve charges banks for borrowing from its discount window.

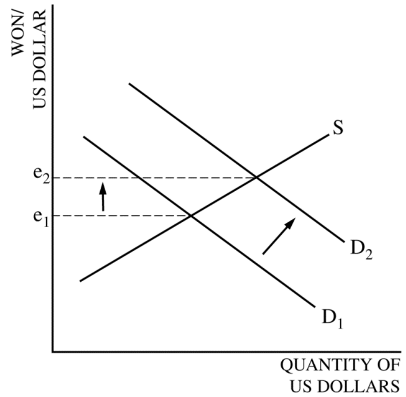
2014 SCORING GUIDELINES

Question 3

5 points (1+2+2)

1 point:
- One point is earned for stating that United States exports to South Korea will increase.

2 points:
- One point is earned for stating that the United States current account will be in surplus.
- One point is earned for stating that the United States gross domestic product will increase and explaining that higher U.S. exports increase AD (or that production increases to meet the increased export demand from South Korea).



2 points:
- One point is earned for drawing a correctly labeled graph of the foreign exchange market for the U.S. dollar.
- One point is earned for shifting the demand curve for the dollar to the right (and/or shifting the supply curve to the left) and showing an increase in the won price per dollar.