



## **AP<sup>®</sup> Macroeconomics 2012 Scoring Guidelines**

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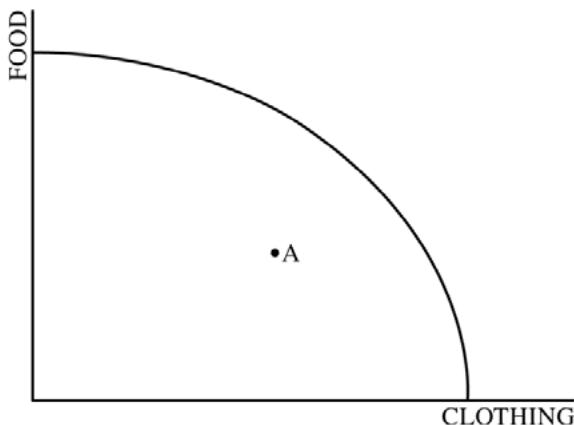
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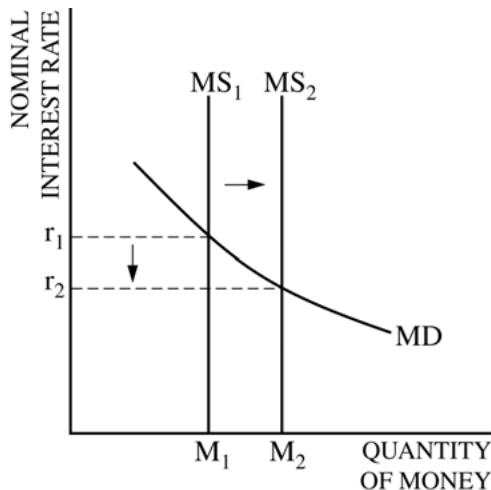
**Question 1**

**12 Points** (2 + 6 + 4)



(a) 2 points:

- One point is earned for a correctly labeled graph of the production possibilities curve (PPC).
- One point is earned for showing point A inside the PPC.



(b) 6 points:

- One point is earned for identifying the buying of bonds as the correct open-market operation to use.
- One point is earned for drawing a correctly labeled graph of the money market.
- One point is earned for showing a rightward shift of the money supply curve, resulting in a lower interest rate.
- One point is earned for stating that the real interest rate will fall.
- One point is earned for explaining that with the price level remaining constant, when the nominal interest rate falls, the real interest rate also falls.
- One point is earned for stating that the real GDP will increase in the short run and explaining that investment or consumption increases, causing aggregate demand to increase.

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**Question 1 (continued)**

(c) 4 points:

- One point is earned for stating that the current account deficit will increase.
- One point is earned for explaining that the increase in real GDP increases income, which causes imports to increase and net exports to decrease.
- One point is earned for stating that the international value of the bera will decrease.
- One point is earned for explaining that the decline in the international value of the bera is due to an increase in the supply of the bera.

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**Question 2**

**5 points** (1 + 3 + 1)

(a) 1 point:

- One point is earned for calculating the correct reserve requirement of 10 percent ( $\$10,000/\$100,000$ ).

(b) 3 points:

- One point is earned for stating that total bank reserves will decrease by \$5,000.
- One point is earned for stating that the \$5,000 withdrawal has no effect on the M1 measure of the money supply because it only changes the composition of M1 between cash and demand deposits.
- One point is earned for stating that the new value of the excess reserves is \$500.

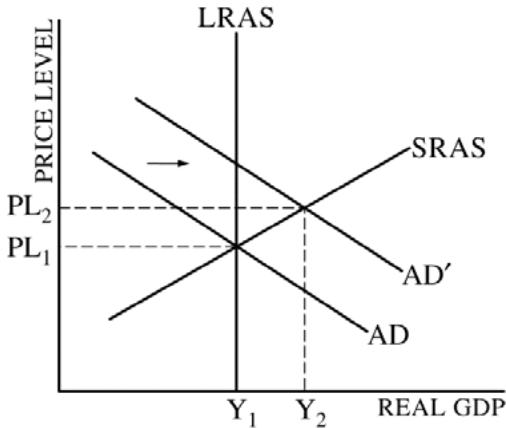
(c) 1 point:

- One point is earned for stating that the bank can borrow from the Federal Reserve or from another bank.

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**Question 3**

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



(a) 2 points:

- One point is earned for drawing a correctly labeled graph and showing the AD and SRAS curves and  $PL_1$ .
- One point is earned for showing a vertical LRAS curve at the output  $Y_1$  through the intersection of the SRAS and AD curves.

(b) 1 point:

- One point is earned for showing a rightward shift of the aggregate demand curve and showing  $Y_2$  and  $PL_2$ .

(c) 1 point:

- One point is earned for stating that real wages will fall because the price level has increased and the nominal wages are fixed in the short run.

(d) 2 points:

- One point is earned for stating that the investment component of AD will change.
- One point is earned for stating that the long-run aggregate supply curve will shift to the right because the capital stock has increased.