AP® CollegeBoard

2020 Exam Sample Questions

AP® MACROECONOMICS

2020 Exam Sample Question 1: Two Short Questions

(Questions taken from: 2011 and 2003 AP® Macroeconomics Exams)

Allotted time: 25 minutes (plus 5 minutes to submit)

	2009 Quantity	2009 Price (base year)	2010 Quantity	2010 Price
Food	6	$2.5	8	$2.5
Clothes	5	$6	10	$10
Entertainment	2	$4	5	$5

The outputs and prices of goods and services in Country X are shown in the table above. Assuming that 2009 is the base year, calculate (a) and (b).

(a) The nominal gross domestic product (GDP) in 2010

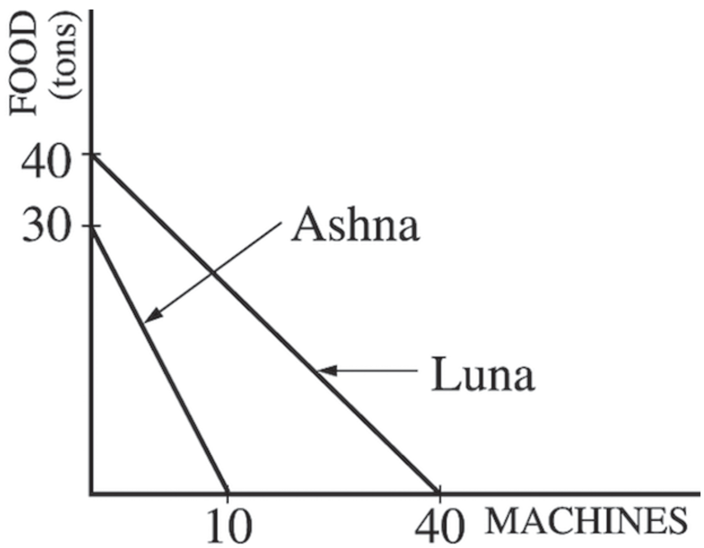
(b) The real GDP in 2010

Note for sample question: *This question is from a past AP Exam in which showing work was not required. Remember that on this year's exam, students will be expected to show their work on any calculation questions.*

(c) If in one year the price index is 50 and in the next year the price index is 55, what is the rate of inflation from one year to the next?

(d) Assume that next year's wage rate will be 3 percent higher than this year's because of inflationary expectations. The actual inflation rate is 4 percent. At the beginning of next year, will the real wage be higher, lower, or the same as today?

(e) Assume that Sara gets a fixed-rate loan from a bank when the expected inflation rate is 3 percent. If the actual inflation rate turns out to be 4 percent, who benefits from the unexpected inflation: Sara, the bank, neither, or both? Explain.



Using equal amounts of resources, the countries of Ashna and Luna can each produce any combination of food and machines described by their production possibilities curves above.

(f) Which country has an absolute advantage in the production of machines? Explain.

(g) Which country has an absolute advantage in the production of food? Explain.

(h) Which country has a comparative advantage in the production of machines? Explain.

(i) With trade between these two countries, which country will import food? Explain.

(j) Give an example of terms of trade acceptable to both countries.

Sample Question 2: Long Question

(Question taken from: 2002 AP Macroeconomics Exam)

Allotted time: 15 minutes (plus 5 minutes to submit)

Using a correctly labeled aggregate supply and aggregate demand graph, show the impact of a sudden, large decrease in private investment spending on each of the following.

(a) Output

(b) Price level

Note for sample question: *This part of the question could not be asked in its current form since students are not required to draw graphs on this year's exam. This question could instead be asked as something like, "What would be the impact of a sudden, large decrease in private investment spending on output and the price level? Explain."*

(c) Using the results in part (a), explain how employment is affected.

Identify one specific fiscal policy that might be implemented to offset the effects of the decrease in investment, and explain how the policy would affect each of the following in the short run.

(d) Aggregate demand

(e) Output and the price level

(f) Real interest rates

Identify an open-market operation that the central bank might implement to offset the effects of the decrease in investment, and explain how the policy would affect each of the following in the short run.

(g) Real interest rates

(h) Aggregate demand

(i) Output and the price level

If the central bank continues the open-market operation identified, explain the long-run effects on each of the following.

(j) Inflation

(k) Value of the domestic currency in foreign exchange markets

Note for sample question: *Part (k) couldn't be asked on this year's exam because material in Unit 6 of the course is excluded from this year's exam.*