
AP[®] Macroeconomics

Sample Student Responses and Scoring Commentary Set 2

Inside:

Free Response Question 3

- Scoring Guideline**
- Student Samples**
- Scoring Commentary**

Question 3: Short**5 points**

(a) (i) State that the government budget will move into deficit in the short run and explain that tax revenues (T) will decrease and transfer payments (TR) will increase. **1 point**

(ii) State that the government debt will increase. **1 point**

Total for part (a) 2 points

(b) Identify an increase in taxes or a decrease in government spending. **1 point**

(c) State that the actual unemployment rate will increase in the short run and explain that aggregate demand will decrease, which will decrease real output. **1 point**

(d) State that the government's efforts to maintain a balanced budget made Geeland's recession more severe in the short run and explain that in order to maintain a balanced budget, the government had to implement contractionary fiscal policy during a recession. (It is also acceptable to explain that the government's efforts to maintain a balanced budget will decrease real output or aggregate demand and that unemployment will increase.) **1 point**

Total for question 3 5 points

Q3 Sample A Page 1 of 1

Question 1 Question 2 Question 3



Begin your response to each question at the top of a new page.

- a) i) The government budget will move into a deficit because the tax revenues (T) will decrease while transfer payments (TR) increase as unemployment rates increase in the recession, and government spending (G) increases.
- ii) The government debt will increase because they are spending more money than they are receiving in tax revenues.
- b) Increasing taxes would balance the budget.
- c) Increasing taxes will cause the actual unemployment rate to increase because real GDP output would decrease as a result of Aggregate Demand decreasing because consumer spending would decrease if taxes increase.
- d) The government efforts made the recession more severe in the short run because the real GDP output would decrease before it could increase because of the increase in taxes and decrease in Aggregate Demand, which would decrease price level.

Q3 Sample B Page 1 of 1

Question 1

Question 2

Question 3



Begin your response to each question at the top of a new page.

A. I. A deficit as G and T remain the same but TR decreases
II. Decrease

B. An increase in taxes

C. Unemployment will go up. Taxes \uparrow will result in a decrease in disposable income and therefore a decrease in consumption. $C \downarrow$ means $AD \leftarrow$ so $PL \downarrow GDP \downarrow \uparrow U$. Unemployment goes up.

D. More severe. The tax increase caused AD to shift left further. Since AD moved left more, Iceland fell further into a recession. $T \uparrow DI \downarrow C \downarrow AD \leftarrow PL \downarrow GDP \downarrow \uparrow U$.

Q3 Sample C Page 1 of 1

Question 1 Question 2 Question 3



Begin your response to each question at the top of a new page.

A.)

- i.) Deficit, Because government spending will go up
- ii.) debt will also go up due to more spending

B.) Raise taxes

C.) Raise unemployment in the short run

D.) more severe since the policies are meant to help long term.

Question 3

Note: Student samples are quoted verbatim and may contain spelling and grammatical errors.

Overview

The question examined students understanding of the effects of government fiscal policy actions on the government's budget and debt and its effect on unemployment in the short run. Students were told that the budget of Geeland, which is composed of tax revenues (T), transfer payments (TR) and government spending is currently balanced. In part (a), students were told to assume that Geeland moves into a recession and there is no discretionary policy action taken. In part (a)(i), students were asked whether the government's budget deficit will move into a deficit or a surplus in the short-run and to explain using the appropriate components of the government budget. In part (a)(ii), students were asked what will happen to the government debt based on their response in (a)(i). In part (b), based on their answer in part (a)(i), students were asked to identify one fiscal policy action that will balance the budget. In part (c), students were asked how the fiscal policy action from part (b), will affect the actual unemployment rate in the short-run and the explain. Finally, in part (d), students were asked to indicate if the government's efforts to maintain a balanced budget made the recession more or less severe in the short-run, and to explain why.

Sample: 3A

Score: 5

- The response earned 1 point in part (a)(i) for stating that the deficit would increase and explaining that tax revenues (T) will decrease, and transfer payments (TR) will increase.
- The response earned 1 point in part (a)(ii) for stating that the government debt will increase.
- The response earned 1 point in part (b) for stating that an increase in taxes (T) would balance the budget.
- The response earned 1 point in part (c) for stating that the unemployment rate increased due to decreased aggregate demand and real output.
- The response earned 1 point in part (d) for stating that the recession will be more severe and explaining that the contractionary fiscal policy caused a decrease in aggregate demand.

Sample: 3B

Score: 3

- The response did not earn the point in part (a)(i) for not explaining that tax revenue (T) decreased or that transfer payments (TR) increased.
- The response did not earn the point in part (a)(ii) for making the wrong assertion.
- The response earned 1 point in part (b) for stating that an increase in taxes (T) will balance the budget.
- The response earned 1 point in part (c) for stating that the unemployment rate will increase because consumption decreased, AD decreased, and GDP decreased.
- The response earned 1 point in part (d) for stating that the recession will be more severe and explaining that aggregate demand shifted to the left further.

Sample: 3C

Score: 2

- The response did not earn the point in part (a)(i) because it does not explain that tax revenue (T) decreased or that transfer payments (TR) increased causing the deficit to increase. Government spending increase is not accepted as a complete answer.
- The response earned 1 point in part (a)(ii) for stating that the debt increased.
- The response earned 1 point in part (b) for stating that an increase in taxes (T) will balance the budget.

Question 3 (continued)

- The response did not earn the point in part (c) because it does not explain that aggregate demand decreased, and real output decreased.
- The response did not earn the point in part (d) because it does not explain that contractionary fiscal policy made the recession worse.