
AP[®] Macroeconomics

Sample Student Responses and Scoring Commentary Set 2

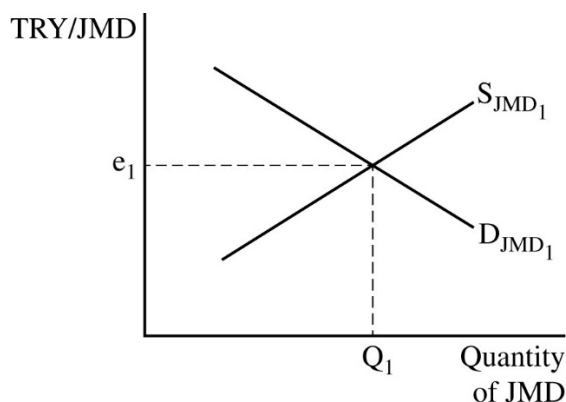
Inside:

Free-Response Question 3

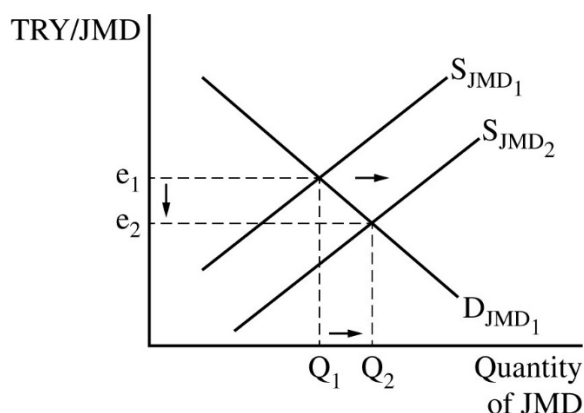
- ☒ **Scoring Guidelines**
- ☒ **Student Samples**
- ☒ **Scoring Commentary**

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

- **Important:** Completely fill in the circle that corresponds to the question you are answering on this page.

Question 1

Question 2

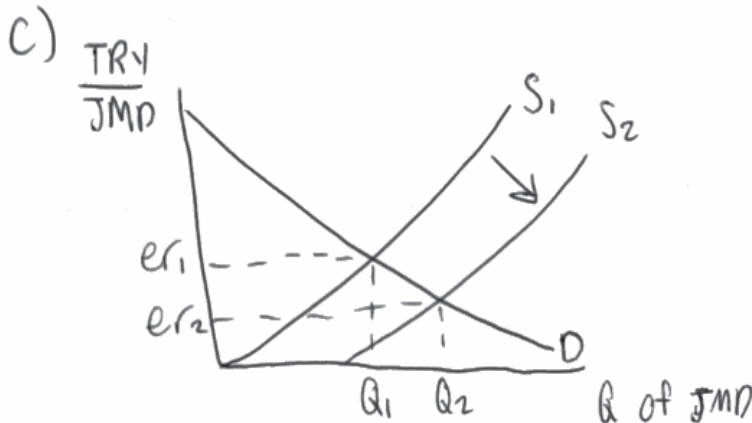
Question 3



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

a) Jamaica's government could increase its spending.

b) Jamaica's net exports will decrease because they can afford to import more goods with a higher real output.



d) Their CFA will move towards a surplus because foreign countries invest the money they get from Jamaica's increased imports into financial assets in Jamaica.

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Important: Completely fill in the circle that corresponds to the question you are answering on this page.

Question 1

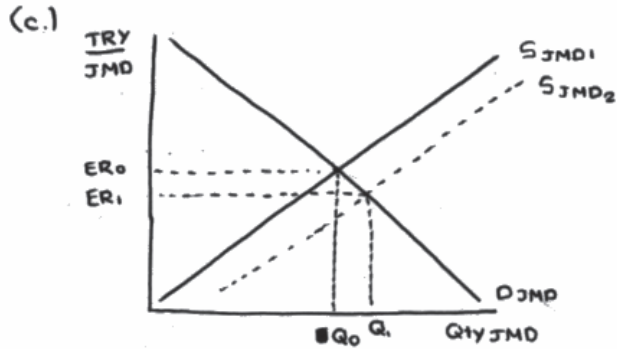
Question 2

Question 3

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

(a.) ↑ government spending

(b.) will decrease ↑ gov spending → ↑ AD → ↑ Y higher production



(d.) ↓ X_N ↑ imports CFA deficit inflow → outflow

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● **Important:** Completely fill in the circle that corresponds to the question you are answering on this page.

Question 1

Question 2

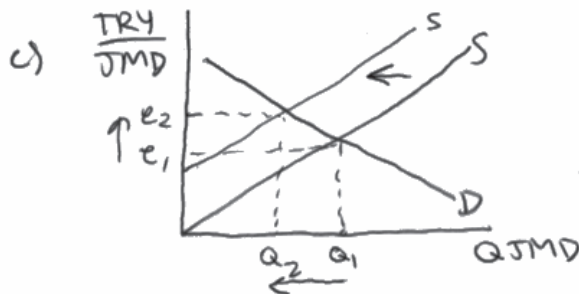
Question 3



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

a) A specific fiscal policy Jamaica's government could take to return to full employment would be to reduce taxes or increase government spending.

b) Based solely on the fiscal policy action, net exports will decrease because of the increase in price level resulting from the increase in aggregate demand for goods.



without exports, supply of JMD in the FOREX market will decrease, causing its currency to appreciate.

d) The capital and financial account should not be affected because exports and imports fall under the current account's jurisdiction.

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Question 3

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

Overview

The question examined students' understanding of how fiscal policy actions can address cyclical unemployment and the effect of those fiscal policy actions on net exports. It also tests students' understanding of how a change in net exports affects the supply of the domestic currency in the foreign exchange market, the international value of the domestic currency, and the capital and financial account.

Students are told to assume that Jamaica has cyclical unemployment and a capital and financial account equal to zero.

In part (a) students are asked to identify a specific fiscal policy action Jamaica's government would take to bring its economy to full employment.

In part (b), based solely on the short-run change in real output resulting from the fiscal policy action in part (a), students are asked what will happen to Jamaica's net exports and to explain.

In part (c) students are told to assume that Jamaica and Turkey are trading partners with flexible exchange rates. Students are asked to draw a correctly labeled graph of the foreign exchange market for the Jamaican dollar relative to the lira and to show the effect of the change in net exports identified in part (b) on the supply of the Jamaican dollar and the international value of the Jamaican dollar.

Finally, in part (d), students are asked how the change in net exports identified in part (b) will affect Jamaica's capital and financial account (CFA) and to explain.

Sample: 3A

Score: 4

The response earned 1 point in part (a) for correctly stating an increase in government spending. The response earned 1 point in part (b) for correctly stating that Jamaica's net exports will decrease and explaining that Jamaican imports will increase as a result of the increase in Jamaica's real income. The response earned the first point in part (c) for drawing a correctly labeled graph of the foreign exchange market for the Jamaican dollar. The response earned the second point in part (c) for correctly showing an increase in the supply of the Jamaican dollar, resulting in a depreciation of the Jamaican dollar. The response did not earn the point in part (d) for not explaining that the current account (CA) moved into deficit and the balance of payments must balance ($CA + CFA = 0$).

Question 3 (continued)**Sample: 3B****Score: 3**

The response earned 1 point in part (a) for correctly stating an increase in government spending. The response did not earn the point in part (b) because it does not explain that Jamaican imports will increase as a result of the increase in Jamaica's real income. The response earned the first point in part (c) for drawing a correctly labeled graph of the foreign exchange market for the Jamaican dollar. The response earned the second point in part (c) for correctly showing an increase in the supply of the Jamaican dollar, resulting in a depreciation of the Jamaican dollar. The response did not earn the point in part (d) because it states that Jamaica's capital and financial account (CFA) will move into deficit.

Sample: 3C**Score: 2**

The response earned 1 point in part (a) for correctly stating an increase in government spending or a decrease in taxes. The response did not earn the point in part (b) for not explaining that Jamaican demand for international goods will increase as a result of the increase in Jamaica's real income, which will increase Jamaican imports. The response earned the first point in part (c) for drawing a correctly labeled graph of the foreign exchange market for the Jamaican dollar. The response did not earn the second point in part (c) for incorrectly showing a decrease in the supply of the Jamaican dollar. The response did not earn the point in part (d) for incorrectly stating that Jamaica's capital and financial account (CFA) will not be affected.