

2024



AP[®] Macroeconomics

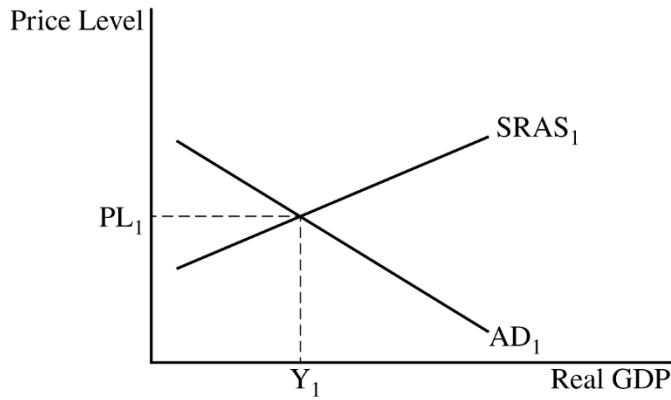
Scoring Guidelines

Set 2

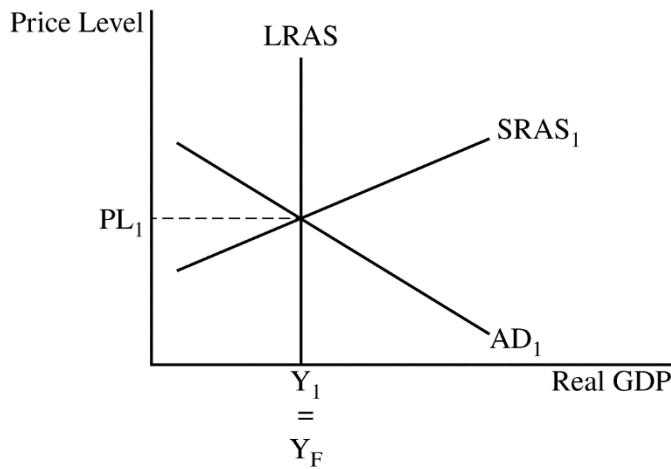
Question 1: Long

10 points

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



- For the second point, the graph must show a vertical long-run aggregate supply (LRAS) curve at equilibrium real output $Y_1 = Y_F$. **1 point**

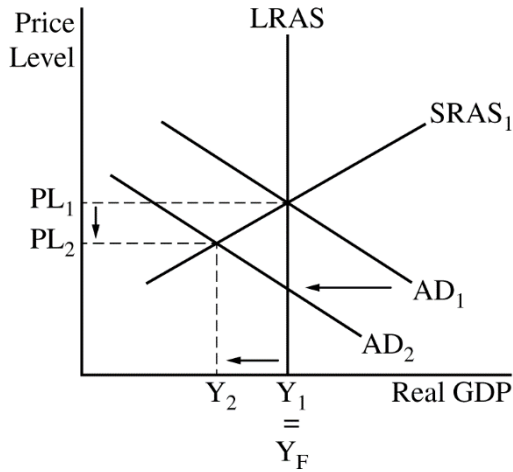


Total for part (a) 2 points

- (b) (i) Calculate the marginal propensity to consume as 0.4 and show your work. **1 point**

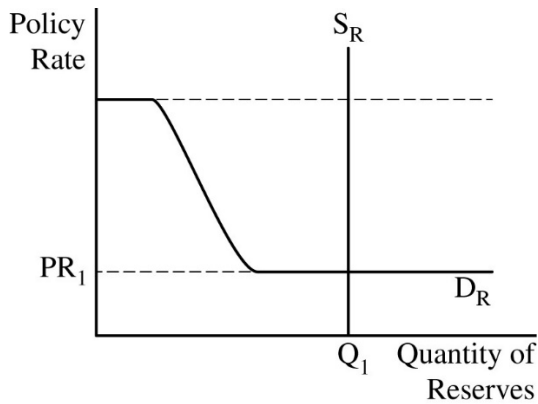
$$MPC = \frac{\Delta \text{Consumer Spending}}{\Delta \text{Disposable Income}} = \frac{\$100,000 - \$110,000}{\$110,000 - \$135,000} = \frac{-\$10,000}{-\$25,000} = 0.4$$

- (ii) On the graph from part (a), show the short-run effect of the decrease in consumer spending as a leftward shift of the AD curve, resulting in a decrease in the price level to PL_2 and a decrease in real output to Y_2 . **1 point**

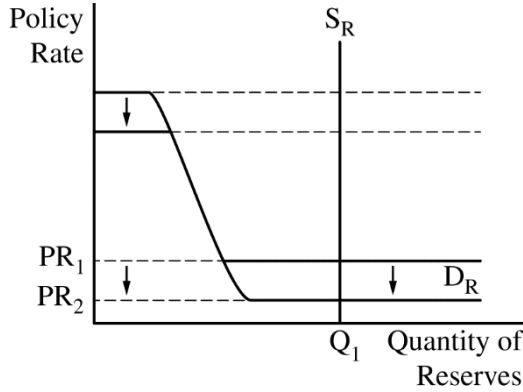


Total for part (b) 2 points

- (c) Explain that input prices (e.g., nominal wages) and/or inflationary expectations will decrease, causing SRAS to increase until it reaches full employment. **1 point**
- (d) State that the central bank would decrease its administered interest rates or decrease interest on reserves. **1 point**
- (e) Draw a correctly labeled graph of the reserve market with the supply curve intersecting the demand curve in the range of ample reserves. **1 point**

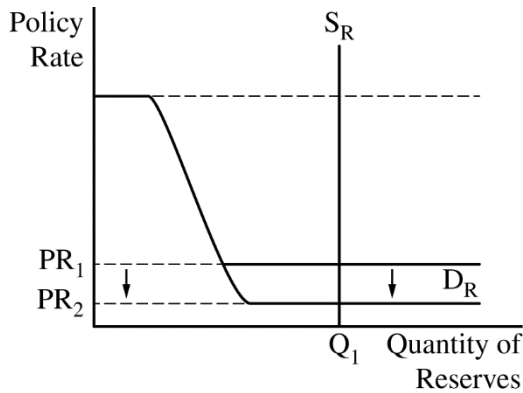


For the second point, the graph must show a decrease in the administered interest rates, **1 point**
 resulting in a decrease in the policy rate.



OR

For the second point, the graph must show a decrease in the lower bound of the demand curve for reserves, resulting in a decrease in the policy rate.



Total for part (e) 2 points

(f) For the first point, state that the quantity of national savings would decrease and the unemployment rate would decrease. **1 point**

For the second point, explain that the decrease in nominal interest rates will increase interest-sensitive spending (consumption, investment, or net exports), causing an increase in aggregate demand and real output. **1 point**

Total for part (f) 2 points

Total for question 1 10 points

Question 2: Short**5 points**

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- (a)** Calculate the nominal GDP in Maltrose in year 2 as \$210 and show your work. **1 point**

$$\text{Nominal GDP}_{\text{Year 2}} = (\$13 \times 10) + (\$4 \times 20) = \$210$$

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- (b)** Calculate the GDP deflator in Maltrose in year 2 as 105 and show your work. **1 point**

$$\text{GDP Deflator}_{\text{Year 2}} = \frac{\text{Nominal GDP}_{\text{Year 2}}}{\text{Real GDP}_{\text{Year 2}}} \times 100 = \frac{\$210}{(\$10 \times 10) + (\$5 \times 20)} \times 100 = 105$$

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- (c)** State that the inflation rate from year 1 to year 2 was 5%. **1 point**

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- (d) (i)** State that people living on a fixed income were worse off. **1 point**

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- (ii)** State that borrowers with fixed-interest-rate loans were better off because the real value of their debt decreased by more than they expected or because the real interest rate was lower than expected. **1 point**

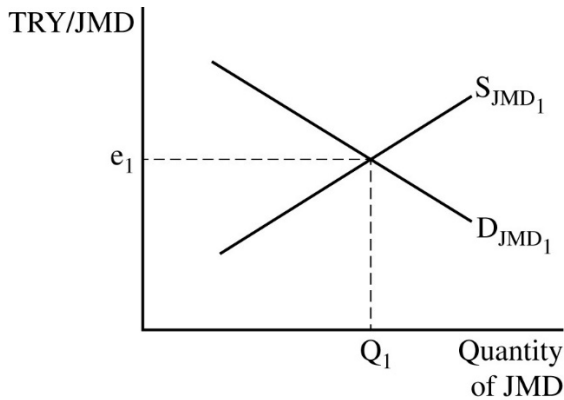
Total for part (d) 2 points

Total for question 2 5 points

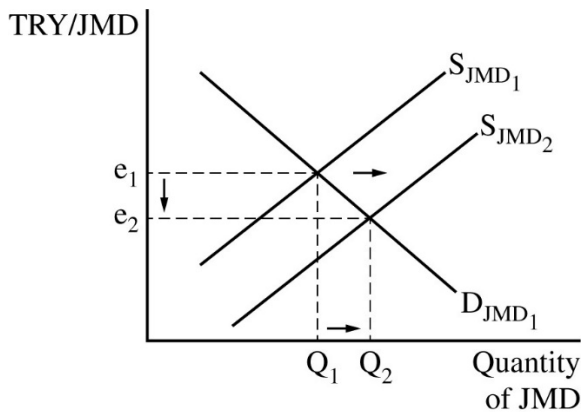
Question 3: Short

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