AP® Macroeconomics
Sample Student Responses and Scoring Commentary
Set 1

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Question 3

5 Points (2 + 1 + 2)

(a) 2 points

- One point is earned for drawing a correctly labeled graph of the loanable funds market and identifying the equilibrium real interest rate and quantity of loanable funds.

(b) 1 point

- One point is earned for stating that Econland’s purchases of foreign assets will increase and for explaining that Econland’s investors will seek higher returns in other countries, which increases Econland’s demand for foreign assets.
Question 3 (continued)

(c) 2 points

• One point is earned for stating that Econland’s currency will depreciate.

• One point is earned for stating that Econland’s central bank would buy its currency in the foreign exchange market.
(a) Loanable Funds market

Quantity of Loanable Funds

(b) Since the interest rates in Econland decreased, relative to those in foreign nations, the rate of return will be higher in foreign nations, and Econland's purchases of foreign assets will increase.

(c) i. The international value of Econland's currency will depreciate
   
   ii. Econland's central bank would buy its currency in the foreign exchange market.
b. The real interest rate will decrease, therefore drawing out investors from Econland. Since the interest rate is down, Econland’s purchases of foreign assets will decrease since it will be more inexpensive to use their own assets.

c. i. The international value of Econland’s currency will decrease
   ii. The central bank should buy its currency so that supply will decrease.
b. Econland's purchases of foreign assets will decrease because the increased interest rates will discourage investment.

c. The international value of Econland's currency will depreciate.

c.1. The central bank of EconLand will sell its currency.
Question 3

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

Overview

The prompt for this question asked students to assume that the households in Econland have increased their savings for retirement. Part (a) asked the students to draw a correctly labeled graph of the loanable funds market and to show how the increased savings for retirement affected the equilibrium real interest rate. Based on the real interest rate change shown in part (a), part (b) asked students to explain what would happen to Econland’s purchases of foreign assets. Part (c) asked students to consider the market for Econland’s currency, and part (c)(i) required the students to identify what would happen to the international value of Econland’s currency based on the change identified in part (b). Finally, in part (c)(ii) students were asked to determine whether Econland’s central bank would buy or sell Econland’s currency in the foreign exchange market in order to offset the change identified in part (c)(i).

Sample: 3A
Score: 5

The student answers all parts of the question correctly and earned all 5 points.

Sample: 3B
Score: 3

The student earned 1 point in part (a) for drawing a correctly labeled graph of the loanable funds market. The student earned an additional 1 point in part (a) for showing a correct shift of the supply of loanable funds curve and showing a lower equilibrium real interest rate. The student earned 1 point in part (c)(ii) for stating that the central bank will buy currency in the foreign exchange market. Note: The student did not earn 1 point in part (c)(i) because the response incorrectly concludes that the international value of Econland’s currency will depreciate, which is inconsistent with the student’s answer in part (b).

Sample: 3C
Score: 1

The student earned 1 point in part (a) for drawing a correctly labeled graph of the loanable funds market. Note: The student did not earn 1 point in part (c)(i) because the response incorrectly concludes that the international value of Econland’s currency will depreciate, which is inconsistent with the student’s answer in part (b).