

AP Macroeconomics

Mock Exam

宏观经济学模拟考试

Aligned with College Board Official Standards

60 Multiple Choice + 3 Free Response Questions

With Full Answer Key & Scoring Guidelines

Total Time: 130 minutes | Max Score: 90 points

AP Macroeconomics Mock Exam

Exam Information

Section	Questions	Time	Weight	Notes
Section I: Multiple Choice	60	70 min	66%	No calculator
Section II: Free Response	3	60 min	33%	10-min reading; 4-function calculator allowed

Units covered: Basic Concepts, Economic Indicators, National Income & Price Determination, Financial Sector, Long-Run Consequences, Open Economy

Section I: Multiple Choice Questions

60 Questions | 70 Minutes | No Calculator

Unit 1: Basic Economic Concepts (Questions 1-8)

1. Which of the following is the best example of an opportunity cost?
- (A) The monetary price of a textbook
 - (B) The value of the next best alternative forgone when making a decision
 - (C) The total cost of all alternatives
 - (D) The sunk cost of a previous investment
 - (E) The inflation rate

Basic

2. If a country's PPC shifts outward, this could be caused by:
- (A) An increase in unemployment
 - (B) A decrease in the price level
 - (C) Technological progress
 - (D) An increase in government spending
 - (E) A decrease in interest rates

Basic

3. Country A can produce 100 wheat or 50 cloth. Country B can produce 60 wheat or 60 cloth. Which is true?

- (A) A has comparative advantage in cloth
- (B) A has comparative advantage in wheat
- (C) B has comparative advantage in wheat
- (D) Neither has comparative advantage
- (E) Both have comparative advantage in cloth

Medium

4. Gross Domestic Product (GDP) is best defined as:

- (A) The total amount of money in circulation
- (B) The market value of all final goods and services produced within a country in a given period
- (C) The total income earned by a country's citizens abroad
- (D) The total value of all stocks and bonds
- (E) The sum of all government revenues

Basic

5. Which of the following is NOT included in GDP?

- (A) A new car purchased by a household
- (B) Government spending on public education
- (C) A used car sold by a dealer
- (D) Business investment in new equipment
- (E) Net exports

Medium

6. The unemployment rate is calculated as:

- (A) $(\text{Unemployed} / \text{Total Population}) \times 100$
- (B) $(\text{Unemployed} / \text{Labor Force}) \times 100$
- (C) $(\text{Unemployed} / \text{Employed}) \times 100$
- (D) $(\text{Not in Labor Force} / \text{Adult Population}) \times 100$
- (E) $(\text{Unemployed} / \text{Adult Population}) \times 100$

Basic

7. Which type of unemployment is caused by a recession?

- (A) Frictional unemployment
- (B) Structural unemployment
- (C) Cyclical unemployment
- (D) Seasonal unemployment
- (E) Natural unemployment

Basic

8. If the CPI increases from 120 to 126, the inflation rate is:

- (A) 3%
- (B) 5%
- (C) 6%
- (D) 6.3%
- (E) 126%

Medium

Unit 2: Economic Indicators & Business Cycle (Questions 9-20)

9. If nominal GDP is \$1,000 billion and the GDP deflator is 125, real GDP is:

- (A) \$800 billion
- (B) \$1,000 billion
- (C) \$1,250 billion
- (D) \$1,500 billion
- (E) \$8,000 billion

Medium

10. The labor force participation rate measures:

- (A) The percentage of the population that is employed
- (B) The percentage of the labor force that is employed
- (C) The percentage of the adult population in the labor force
- (D) The percentage of the population that is unemployed
- (E) The ratio of employed to unemployed

Medium

11. A person who quits their job to look for a better one is experiencing:

- (A) Cyclical unemployment
- (B) Structural unemployment
- (C) Frictional unemployment
- (D) Being out of the labor force
- (E) Seasonal unemployment

Basic

12. Which is a cost of unexpected inflation?

- (A) Menu costs
- (B) Shoe-leather costs
- (C) Redistribution of wealth from lenders to borrowers
- (D) All of the above
- (E) None of the above

Medium

13. The natural rate of unemployment is:

- (A) Zero
- (B) The sum of frictional and structural unemployment
- (C) The sum of frictional and cyclical unemployment
- (D) The unemployment rate during a recession
- (E) The same as the labor force participation rate

Medium

14. If real GDP is growing but the price level is falling, the economy is most likely experiencing:

- (A) Stagflation
- (B) Inflation
- (C) Deflation with growth
- (D) Hyperinflation
- (E) A recession

Medium

15. The business cycle consists of four phases. Which of the following is NOT one of them?

- (A) Expansion
- (B) Peak
- (C) Contraction (recession)
- (D) Trough
- (E) Stagnation plateau

Basic

16. A discouraged worker is someone who:

- (A) Is currently unemployed but actively seeking work
- (B) Has given up looking for work and is no longer counted as unemployed
- (C) Is working part-time but wants full-time work
- (D) Is about to be laid off
- (E) Is a seasonal worker between jobs

Medium

17. If nominal GDP grows by 8% and real GDP grows by 3%, the inflation rate is approximately:

- (A) 3%
- (B) 5%
- (C) 8%
- (D) 11%
- (E) 24%

Medium

18. Which component of GDP is the largest in most developed economies?

- (A) Investment (I)
- (B) Government spending (G)
- (C) Consumption (C)
- (D) Net exports (NX)
- (E) Imports (M)

Basic

19. The GDP deflator differs from the CPI because the GDP deflator:

- (A) Only measures food prices
- (B) Includes all goods and services produced domestically, not just a fixed basket
- (C) Is always lower than the CPI
- (D) Only measures imported goods
- (E) Is set by the government

Hard

20. If the price index rises from 100 to 110, the purchasing power of money has:

- (A) Increased by 10%
- (B) Decreased by approximately 9.1%
- (C) Decreased by 10%
- (D) Stayed the same
- (E) Doubled

Hard

Unit 3: National Income & Price Determination (Questions 21-34)

21. The aggregate demand (AD) curve slopes downward because of:

- (A) The substitution effect only
- (B) The real wealth effect, interest rate effect, and foreign trade effect
- (C) Diminishing marginal returns
- (D) Increasing opportunity costs
- (E) The multiplier effect

Medium

22. Which would shift the AD curve to the right?

- (A) An increase in taxes
- (B) A decrease in government spending
- (C) An increase in consumer confidence
- (D) A decrease in the money supply
- (E) An increase in imports

Basic

23. The short-run aggregate supply (SRAS) curve slopes upward because:

- (A) Wages and prices are perfectly flexible
- (B) Higher price levels lead to higher output as input costs adjust slowly
- (C) Higher prices reduce output
- (D) The money supply increases with prices
- (E) Long-run output always increases

Medium

24. The long-run aggregate supply (LRAS) curve is vertical because:

- (A) Prices are fixed in the long run
- (B) The economy is at full employment; output is determined by factors of production, not price level
- (C) Demand always equals supply
- (D) The government controls output
- (E) Wages are constant

Medium

25. If the $MPC = 0.8$, the spending multiplier is:

- (A) 2
- (B) 4
- (C) 5
- (D) 8
- (E) 10

Medium

26. If the government increases spending by \$100 billion and the MPC is 0.75, the maximum change in GDP is:

- (A) \$100 billion
- (B) \$300 billion
- (C) \$400 billion
- (D) \$500 billion
- (E) \$750 billion

Medium

27. The tax multiplier is:

- (A) Always equal to the spending multiplier
- (B) Equal to $-MPC/(1-MPC)$
- (C) Always positive
- (D) Equal to $1/(1-MPC)$
- (E) Equal to MPC

Hard

28. An economy is in a recession. Which fiscal policy would be most appropriate?

- (A) Increase taxes and decrease spending
- (B) Decrease taxes and increase spending
- (C) Increase the money supply
- (D) Raise interest rates
- (E) Decrease government spending only

Basic

29. Expansionary fiscal policy will be most effective when:

- (A) The economy is already at full employment
- (B) There is a recessionary gap
- (C) SRAS is vertical
- (D) LRAS is horizontal
- (E) The government has a budget surplus

Medium

30. Which of the following is an automatic stabilizer?

- (A) A one-time tax cut passed by Congress
- (B) Unemployment insurance that automatically increases during recessions
- (C) A deliberate increase in defense spending
- (D) An interest rate cut by the central bank
- (E) A new infrastructure bill

Medium

31. Stagflation is characterized by:

- (A) High growth and low inflation
- (B) High unemployment and high inflation
- (C) Low unemployment and low inflation
- (D) High growth and high unemployment
- (E) Zero growth and zero inflation

Basic

32. A negative supply shock (e.g., oil price spike) would cause:

- (A) SRAS to shift right, price level rises, output falls
- (B) SRAS to shift left, price level rises, output falls
- (C) AD to shift left, price level falls, output falls
- (D) LRAS to shift right
- (E) No effect on price level

Hard

33. If actual GDP exceeds potential GDP, the economy is experiencing:

- (A) A recessionary gap
- (B) An inflationary gap
- (C) Full employment
- (D) Stagflation
- (E) Deflation

Medium

34. The crowding-out effect refers to:

- (A) Government spending replacing private investment due to higher interest rates
- (B) Consumers spending more as prices fall
- (C) Exports displacing domestic production
- (D) Foreign workers replacing domestic workers
- (E) Automation replacing labor

Hard

Unit 4: Financial Sector (Questions 35-44)

35. The functions of money include all of the following EXCEPT:

- (A) Medium of exchange
- (B) Store of value
- (C) Unit of account
- (D) Means of taxation
- (E) All are functions of money

Basic

36. M1 money supply includes:

- (A) Currency in circulation + demand deposits (checking accounts)
- (B) Currency + savings accounts + time deposits
- (C) Only currency in circulation
- (D) Only checking accounts
- (E) All financial assets

Medium

37. If the reserve requirement is 20% and a bank receives a new deposit of \$1,000, the maximum amount the bank can initially lend is:

- (A) \$200
- (B) \$800
- (C) \$1,000
- (D) \$5,000
- (E) \$10,000

Medium

38. With a reserve requirement of 25%, the simple money multiplier is:

- (A) 2
- (B) 3
- (C) 4
- (D) 5
- (E) 25

Medium

39. If the central bank buys government bonds on the open market, this will:

- (A) Decrease the money supply and increase interest rates
- (B) Increase the money supply and decrease interest rates
- (C) Increase the money supply and increase interest rates
- (D) Decrease the money supply and decrease interest rates
- (E) Have no effect on the money supply

Medium

40. Expansionary monetary policy would involve:

- (A) Raising the reserve requirement
- (B) Selling government bonds
- (C) Raising the discount rate
- (D) Buying government bonds and/or lowering the policy rate
- (E) Raising taxes

Basic

41. The quantity theory of money states that:

- (A) $M \times V = P \times Y$
- (B) $M = P \times V$
- (C) $V = M \times Y$
- (D) $P = M + V$
- (E) $MV = P + Y$

Medium

42. If the money supply grows at 5% and real output grows at 2%, and velocity is constant, the inflation rate is:

- (A) 2%
- (B) 3%
- (C) 5%
- (D) 7%
- (E) 10%

Hard

43. The real interest rate is:

- (A) Always equal to the nominal rate
- (B) Nominal interest rate minus the expected inflation rate
- (C) Nominal interest rate plus the inflation rate
- (D) Equal to the growth rate of money
- (E) Determined by the government

Medium

44. If nominal interest rate = 6% and expected inflation = 2%, the real interest rate is:

- (A) 2%
- (B) 4%
- (C) 6%
- (D) 8%
- (E) 12%

Basic

Unit 5: Long-Run Consequences of Stabilization Policies (Questions 45-54)

45. In the long run, expansionary fiscal policy (increased government spending) leads to:

- (A) Higher real GDP permanently
- (B) Higher price level with no change in real GDP
- (C) Lower price level
- (D) Higher real GDP and lower price level
- (E) No change in anything

Medium

46. A government budget deficit occurs when:

- (A) Government spending > Tax revenue
- (B) Tax revenue > Government spending
- (C) Imports > Exports
- (D) Investment > Savings
- (E) Consumption > Income

Basic

47. Which is a consequence of persistent government budget deficits?

- (A) Increased national debt
- (B) Higher interest rates (crowding out)
- (C) Reduced private investment
- (D) All of the above
- (E) None of the above

Medium

48. Long-run economic growth is best represented by:

- (A) A rightward shift of the AD curve
- (B) A rightward shift of the LRAS curve
- (C) A leftward shift of the SRAS curve
- (D) A movement along the AD curve
- (E) An increase in the price level

Medium

49. Which factor promotes long-run economic growth?

- (A) Increased consumption spending
- (B) Investment in physical and human capital
- (C) Higher inflation
- (D) Increased government transfers
- (E) Lower interest rates alone

Basic

50. According to the Phillips curve, in the short run there is:

- (A) A trade-off between inflation and unemployment
- (B) A trade-off between growth and inflation
- (C) No trade-off between any variables
- (D) A trade-off between interest rates and output
- (E) A positive relationship between inflation and unemployment

Medium

51. The long-run Phillips curve is:

- (A) Downward sloping
- (B) Upward sloping
- (C) Vertical at the natural rate of unemployment
- (D) Horizontal at zero inflation
- (E) A 45-degree line

Medium

52. If people expect higher inflation, the short-run Phillips curve will:

- (A) Shift right (upward)
- (B) Shift left (downward)
- (C) Become flatter
- (D) Remain unchanged
- (E) Become vertical

Hard

53. Which of the following describes deficit spending's effect on future generations?

- (A) Reduces the burden on future generations
- (B) May reduce private investment, lowering future productivity
- (C) Always increases future growth
- (D) Has no intergenerational effects
- (E) Increases exports for future generations

Hard

54. An economy with rapid money supply growth is likely to experience, in the long run:

- (A) Higher real output
- (B) Higher inflation
- (C) Lower unemployment
- (D) Lower interest rates permanently
- (E) Higher real GDP

Medium

Unit 6: Open Economy — International Trade & Finance (Questions 55-60)

55. If a country's imports exceed its exports, it has:

- (A) A trade surplus
- (B) A trade deficit
- (C) Balance of trade
- (D) A budget deficit
- (E) A capital surplus

Basic

56. Which would cause a country's currency to appreciate?

- (A) Decreased demand for the country's exports
- (B) Higher interest rates relative to other countries
- (C) Increased imports
- (D) Lower inflation relative to trading partners and higher demand for exports
- (E) B and D

Hard

57. If the US dollar appreciates against the euro, then:

- (A) US exports to Europe become cheaper for Europeans
- (B) US exports to Europe become more expensive for Europeans
- (C) European goods become more expensive for Americans
- (D) There is no effect on trade
- (E) Both A and C

Medium

58. The balance of payments includes:

- (A) Current account only
- (B) Capital/financial account only
- (C) Both current account and capital/financial account
- (D) Only trade balance
- (E) Only foreign exchange reserves

Medium

59. A current account deficit must be offset by:

- (A) A capital/financial account surplus
- (B) A capital/financial account deficit
- (C) A government budget surplus
- (D) Zero capital flows
- (E) Higher domestic interest rates

Hard

60. Expansionary monetary policy would likely cause the domestic currency to:

- (A) Appreciate, increasing net exports
- (B) Depreciate, increasing net exports
- (C) Appreciate, decreasing net exports
- (D) Depreciate, decreasing net exports
- (E) Have no effect on the exchange rate

Hard

Section II: Free Response Questions

3 Questions | 60 Minutes (including 10-min reading)

FRQ 1 (Long): AD/AS, Fiscal Policy & the Multiplier

Recommended: 25 minutes

Economia is currently in a recession. The $MPC = 0.8$. The government is considering fiscal policy options.

(a)

Draw a correctly labeled AD/AS graph showing the recessionary gap. Label current output (Y_1), full-employment output (Y_f), and current price level (PL_1).

(b)

Calculate the spending multiplier and the maximum change in GDP if the government increases spending by \$50 billion.

(c)

Calculate the tax multiplier. If the government instead cuts taxes by \$50 billion, what is the maximum change in GDP?

(d)

Show on your graph the effect of the increased government spending on the price level and real GDP. Explain.

(e)

Explain the "crowding-out" effect that may reduce the effectiveness of this fiscal policy.

FRQ 2 (Short): Banking & Monetary Policy

Recommended: 12 minutes

The central bank of Economia wants to combat inflation. The reserve requirement is currently 25%.

(a)

Calculate the simple money multiplier.

(b)

Identify one specific open market operation the central bank should undertake.

(c)

Explain how this operation will affect the money supply, interest rates, investment, and AD.

FRQ 3 (Short): International Trade & Exchange Rates

Recommended: 12 minutes

Country X has a floating exchange rate. Recently, foreign investors have been investing heavily in Country X's economy.

(a)

Explain how this capital inflow will affect the value of Country X's currency.

(b)

How will the currency change affect Country X's exports and imports?

(c)

If Country X's central bank responds by buying foreign currency, explain the effect on the domestic money supply.

Answer Key & Explanations

MCQ Answer Key

#	Ans	#	Ans	#	Ans	#	Ans	#	Ans
1	B	13	B	25	C	37	B	49	B
2	C	14	C	26	C	38	C	50	A
3	B	15	E	27	B	39	B	51	C
4	B	16	B	28	B	40	D	52	A
5	C	17	B	29	B	41	A	53	B
6	B	18	C	30	B	42	B	54	B
7	C	19	B	31	B	43	B	55	B
8	B	20	B	32	B	44	B	56	E
9	A	21	B	33	B	45	B	57	B
10	C	22	C	34	A	46	A	58	C
11	C	23	B	35	D	47	D	59	A
12	D	24	B	36	A	48	B	60	B

Detailed Explanations (Selected)

Q1: B

机会成本 = 放弃的次优选择的价值。

Q4: B

GDP = 一国境内生产的所有最终产品和服务的市场价值。二手商品不计入（已计入生产年份）。

Q8: B

$\text{Inflation rate} = (126 - 120) / 120 = 5\%$.

Q9: A

$\text{Real GDP} = \text{Nominal GDP} / (\text{Deflator} / 100) \times 100 = 1000 / 1.25 = \$800B$.

Q17: B

$\% \Delta \text{Nominal} \approx \% \Delta \text{Real} + \% \text{Inflation} \rightarrow 8\% \approx 3\% + \text{Inflation} \rightarrow \text{Inflation} \approx 5\%$.

Q20: B

$\text{Purchasing power} = 1 / \text{Price Level}$. If index goes $100 \rightarrow 110$, $\text{purchasing power} = 1 / 1.10 = 0.909$, a decrease of $\sim 9.1\%$.

Q25: C

$\text{Multiplier} = 1 / (1 - \text{MPC}) = 1 / (1 - 0.8) = 1 / 0.2 = 5$.

Q26: C

$\Delta \text{GDP} = 100 \times (1 / 0.25) = 100 \times 4 = \$400B$.

Q27: B

$\text{Tax multiplier} = -\text{MPC} / (1 - \text{MPC}) = -0.8 / 0.2 = -4$ (negative because tax increase reduces GDP).

Q37: B

$\text{Excess reserves} = 1000 - (0.2 \times 1000) = 1000 - 200 = \$800$ to lend.

Q38: C

Money multiplier = $1/RR = 1/0.25 = 4$.

Q42: B

$\% \Delta M = \% \Delta P + \% \Delta Y \rightarrow 5\% = \text{Inflation} + 2\% \rightarrow \text{Inflation} = 3\%$.

Q44: B

Real rate = Nominal - Expected inflation = $6\% - 2\% = 4\%$.

Q51: C

Long-run Phillips curve is vertical at the natural rate of unemployment — no trade-off exists in the long run.

Q56: E

Higher interest rates attract capital inflows $\rightarrow$ demand for currency rises $\rightarrow$ appreciates. Lower inflation + higher export demand also cause appreciation.

Q59: A

Balance of payments must balance: current account deficit is offset by capital/financial account surplus.

Q60: B

Expansionary monetary policy $\rightarrow$ lower interest rates $\rightarrow$ capital outflows $\rightarrow$ currency depreciates $\rightarrow$ exports cheaper $\rightarrow$ net exports increase.

FRQ Scoring Guidelines

FRQ 1 (Long): 14 points

- (a) 3 pts:** Correctly labeled AD/AS graph with downward AD, upward SRAS, vertical LRAS (1 pt). $Y_1 < Y_f$ labeled showing recessionary gap (1 pt). PL_1 labeled (1 pt).
- (b) 3 pts:** Spending multiplier $= 1/(1-0.8) = 5$ (1 pt). $\Delta GDP = \$50B \times 5 = \$250B$ (1 pt). Units (1 pt).
- (c) 3 pts:** Tax multiplier $= -0.8/0.2 = -4$ (1 pt). $\Delta GDP = -\$50B \times (-4) = +\$200B$ (1 pt). Units (1 pt).
- (d) 2 pts:** AD shifts right; new equilibrium has higher PL and higher Y (1 pt). Explanation: government spending increases AD via multiplier (1 pt).
- (e) 3 pts:** Government borrowing increases demand for loanable funds $\rightarrow$ interest rates rise (1 pt). Higher interest rates crowd out private investment (1 pt). This partially offsets the fiscal stimulus (1 pt).

FRQ 2 (Short): 8 points

- (a) 1 pt:** Money multiplier $= 1/0.25 = 4$.
- (b) 2 pts:** Sell government bonds on the open market (1 pt). This is contractionary monetary policy to fight inflation (1 pt).
- (c) 5 pts:** Selling bonds decreases bank reserves $\rightarrow$ money supply decreases (1 pt). Interest rates rise (1 pt). Investment decreases due to higher borrowing costs (1 pt). AD decreases (shifts left) (1 pt). Price level falls and/or real GDP decreases (1 pt).

FRQ 3 (Short): 7 points

- (a) 2 pts:** Capital inflow increases demand for Country X's currency (1 pt). Currency appreciates (1 pt).
- (b) 2 pts:** Exports decrease (more expensive for foreigners) (1 pt). Imports increase (cheaper for domestic consumers) (1 pt).
- (c) 3 pts:** Buying foreign currency increases demand for foreign currency (1 pt). This injects domestic currency into circulation, increasing domestic money supply (1 pt). This tends to lower domestic interest rates and depreciate the currency (1 pt).

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