AP® Macroeconomics Practice Exam

From the 2012 Administration

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<u>Note:</u> This publication shows the page numbers that appeared in the *2011–12 AP Exam Instructions* book and in the actual exam. This publication was not repaginated to begin with page 1.

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Exam Instructions

The following contains instructions taken from the ***2011–12 AP Exam Instructions*** book.

AP® Macroeconomics Exam

Regularly Scheduled Exam Date: Thursday morning, May 17, 2012
Late-Testing Exam Date: Wednesday morning, May 23, 2012

Section I: At a Glance

Total Time:
1 hour, 10 minutes
Number of Questions:
60
Percent of Total Score:
66.6%
Writing Instrument:
Pencil required

Section II: At a Glance

Total Time:
1 hour
Number of Questions:
3
Percent of Total Score:
33.3%
Writing Instrument:
Pen with black or dark blue ink
Reading Period Time:
10 minutes
Use this time to read the questions and plan your answers.
Writing Period Time:
50 minutes
Question 1
Suggested Time:
25 minutes
Percent of Section II Score:
50%
Question 2
Suggested Time:
12.5 minutes
Percent of Section II Score:
25%
Question 3
Suggested Time:
12.5 minutes
Percent of Section II Score:
25%

Section I: Multiple Choice Booklet Instructions

Section I of this exam contains 60 multiple-choice questions. Fill in only the circles for numbers 1 through 60 on your answer sheet.

Indicate all of your answers to the multiple-choice questions on the answer sheet. No credit will be given for anything written in this exam booklet, but you may use the booklet for notes or scratch work. After you have decided which of the suggested answers is best, completely fill in the corresponding circle on the answer sheet. Give only one answer to each question. If you change an answer, be sure that the previous mark is erased completely.

Use your time effectively, working as quickly as you can without losing accuracy. Do not spend too much time on any one question. Go on to other questions and come back to the ones you have not answered if you have time. It is not expected that everyone will know the answers to all of the multiple-choice questions.

Your total score on the multiple-choice section is based only on the number of questions answered correctly. Points are not deducted for incorrect answers or unanswered questions.

Section II: Free Response Booklet Instructions

The questions for Section II are printed in this booklet. You may use page 3 of this booklet to organize your answers and for scratch work, but you must write your answers on the lined pages provided for each question.

The proctor will announce the beginning and end of the reading period. You are advised to spend the 10-minute period reading all the questions, and to use page 3 to sketch graphs, make notes, and plan your answers. Do NOT begin writing on the lined pages until the proctor tells you to do so.

Write clearly and legibly. Do not skip lines. Cross out any errors you make; crossed-out work will not be scored.

Manage your time carefully. You may proceed freely from one question to the next. You may review your responses if you finish before the end of the exam is announced.

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What Proctors Need to Bring to This Exam

- Exam packets
- Answer sheets
- AP Student Packs
- *2011-12 AP Coordinator's Manual*
- This book — *AP Exam Instructions*
- School Code and Home-School/Self-Study Codes
- Pencil sharpener
- Extra No. 2 pencils with erasers
- Extra pens with black or dark blue ink
- Lined paper
- Stapler
- Watch
- Signs for the door to the testing room
  - "Exam in Progress"
  - "Cell phones are prohibited in the testing room"

SECTION I: Multiple Choice

Do not begin the exam instructions below until you have completed the appropriate General Instructions for your group.

Make sure you begin the exam at the designated time.

Macroeconomics

If you are giving the regularly scheduled exam, say:

It is Thursday morning, May 17, and you will be taking the AP Macroeconomics Exam.

If you are giving the alternate exam for late testing, say:

It is Wednesday morning, May 23, and you will be taking the AP Macroeconomics Exam.

Microeconomics

If you are giving the regularly scheduled exam, say:

It is Thursday afternoon, May 17, and you will be taking the AP Microeconomics Exam.

If you are giving the alternate exam for late testing, say:

It is Wednesday afternoon, May 23, and you will be taking the AP Microeconomics Exam.

In a moment, you will open the packet that contains your exam materials. By opening this packet, you agree to all of the AP Program's policies and procedures outlined in the *2011-12 Bulletin for AP Students and Parents*. You may now remove the shrinkwrap from your exam packet and take out

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the Section I booklet, but do not open the booklet or the shrinkwrapped Section II materials. Put the white seals aside. . . .

Look at page 1 of your answer sheet and locate the dark blue box near the top right-hand corner that states, "Take the AP Exam label from your Section I booklet and place the label here.". . .

Now look at the front cover of your exam booklet and locate the AP Exam label near the top left of the cover. . . .

Carefully peel off the AP Exam label and place it on your answer sheet on the dark blue box that we just identified. . . .

Now read the statements on the front cover of Section I and look up when you have finished. . . .

Sign your name and write today's date. Look up when you have finished. . . .

Now print your full legal name where indicated. Are there any questions? . . .

Turn to the back cover and read it completely. Look up when you have finished. . . .

Are there any questions? . . .

Section I is the multiple-choice portion of the exam. You may never discuss these specific multiple-choice questions at any time in any form with anyone, including your teacher and other students. If you disclose these questions through any means, your AP Exam score will be canceled. Are there any questions? . . .

You must complete the answer sheet using a No. 2 pencil only. Mark all of your responses on your answer sheet, one response per question. Completely fill in the circles. If you need to erase, do so carefully and completely. No credit will be given for anything written in the exam booklet. Scratch paper is not allowed, but you may use the margins or any blank space in the exam booklet for scratch work. Calculators are not allowed on any part of this exam. Are there any questions? . . .

You have 1 hour and 10 minutes for this section. Open your Section I booklet and begin.

Note Start Time here _____. Note Stop Time here _____. Check that students are marking their answers in pencil on their answer sheets, and that they are not looking at their shrinkwrapped Section II booklets. After 1 hour and 10 minutes, say:

Stop working. Close your booklet and put your answer sheet on your desk, face up. Make sure you have your AP number label and an AP Exam label on page 1 of your answer sheet. I will now collect your answer sheet.

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Collect an answer sheet from each student. Check that each answer sheet has an AP number label and an AP Exam label. Then say:

Now you must seal your exam booklet. Remove the white seals from the backing and press one on each area of your exam booklet cover marked "PLACE SEAL HERE." Fold each seal over the back cover. When you have finished, place the booklet on your desk, face up. I will now collect your Section I booklet. . . .

Check that each student has signed the front cover of the sealed Section I booklet. There is a 10-minute break between Sections I and II. When all Section I materials have been collected and accounted for and you are ready for the break, say:

Please listen carefully to these instructions before we take a 10-minute break. Everything you placed under your chair at the beginning of the exam must stay there. Leave your shrinkwrapped Section II packet on your desk during the break. You are not allowed to consult teachers, other students, or textbooks about the exam during the break. You may not make phone calls, send text messages, check email, use a social networking site, or access any electronic or communication device. Remember, you are not allowed to discuss the multiple-choice section of this exam. Failure to adhere to any of these rules could result in cancellation of your score. Are there any questions? . . .

You may begin your break. Testing will resume at _____.

SECTION II: Free Response

After the break, say:

May I have everyone's attention? Place your Student Pack on your desk. . . .

You may now remove the shrinkwrap from the Section II packet, but do not open the exam booklet until you are told to do so. . . .

Read the bulleted statements on the front cover of the exam booklet. Look up when you have finished. . . .

Now place an AP number label on the shaded box. If you don't have any AP number labels, write your AP number in the box. Look up when you have finished. . . .

Read the last statement. . . .

Using your pen, print the first, middle and last initials of your legal name in the boxes and print today's date where indicated. This constitutes your signature and your agreement to the statements on the front cover. . . .

Turn to the back cover and read Item 1 under "Important Identification Information." Print the first two letters of your <u>last</u> name and the first letter of your <u>first</u> name in the boxes. Look up when you have finished. . . .

In Item 2, print your date of birth in the boxes. . . .

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In Item 3, write the school code you printed on the front of your Student Pack in the boxes. . . .

Read Item 4. . . .

Are there any questions? . . .

I need to collect the Student Pack from anyone who will be taking another AP Exam. You may keep it only if you are not taking any other AP Exams this year. If you have no other AP Exams to take, place your Student Pack under your chair now. . . .

While Student Packs are being collected, read the information on the back cover of the exam booklet. Do not open the booklet until you are told to do so. Look up when you have finished. . . .

Collect the Student Packs. Then say:

Are there any questions? . . .

Section II begins with a 10-minute reading period. During the reading period, you will read and plan what you will write. Are there any questions? . . .

You may now begin the 10-minute reading period.

Note Start Time here _____. Note Stop Time here _____. Check that students are writing any notes in the appropriate areas in the Section II booklet. If any students begin writing their responses during this time, remind them that the reading period is not yet over, and that the reading period is designed to provide students with time to develop better organized, higher scoring responses. If the students choose to continue writing responses, take no further action. After 10 minutes, say:

Stop. The reading period is over. You have 50 minutes to complete Section II. You are responsible for pacing yourself, and may proceed freely from one question to the next. You must write your answers in the Section II booklet using a pen. You are not permitted to use other colored pens or pencils to draw graphs or diagrams. If you need more paper during the exam, raise your hand. At the top of each extra piece of paper you use, be sure to write only your AP number and the number of the question you are working on. Do not write your name. Are there any questions? . . .

You may begin.

Note Start Time here _____. Note Stop Time here _____. Check that students are using pens and that they are writing their answers in their exam booklets. After 40 minutes, say:

There are 10 minutes remaining.

After 10 minutes, say:

Stop working and close your exam booklet. Place it on your desk, face up. . . .

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If any students used extra paper for the free-response section, have those students staple the extra sheet/s to the first page corresponding to that question in their exam booklets. Then say:

Remain in your seat, without talking, while the exam materials are collected. . . .

Collect a Section II booklet from each student. Check for the following:

- Exam booklet front cover: The student placed an AP number label on the shaded box, and printed his or her initials and today's date.
- Exam booklet back cover: The student completed the "Important Identification Information" area.

When all exam materials have been collected and accounted for, return to students any electronic devices you may have collected before the start of the exam.

If you are giving the regularly scheduled exam, say:

You may not discuss these specific free-response questions with anyone unless they are released on the College Board website in about two days. You should receive your score report in the mail about the third week of July.

If you are giving the alternate exam for late testing, say:

None of the questions in this exam may ever be discussed or shared in any way at any time. You should receive your score report in the mail about the third week of July.

If any students completed the AP number card at the beginning of this exam, say:

Please remember to take your AP number card with you.

Then say:

You are now dismissed.

All exam materials should be put in secure storage until they are returned to the AP Program after your school's last administration. Before storing materials, check the "School Use Only" section on page 1 of the answer sheet and:

- Fill in the appropriate section number circle in order to view a separate AP Instructional Planning Report (for regularly scheduled exams only) or Subject Score Roster at the class section or teacher level. See "Post-Exam Activities" in the *2011-12 AP Coordinator's Manual*.
- Check your list of students who are eligible for fee reductions and fill in the appropriate circle on their registration answer sheets.

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GO ON TO THE NEXT PAGE.

Student Answer Sheet for the Multiple-Choice Section

Use this section to capture student responses. (Note that the following answer sheet is a sample, and may differ from one used in an actual exam.)

AP 2012 Answer Sheet

Take an AP Number label from your AP Student Pack and place the label here.

B123456789T

Take the AP Exam label from your Section I booklet and place the label here.

CollegeBoard

NAME AND EXAM AREA — COMPLETE THIS AREA AT EVERY EXAM.

USE NO. 2 PENCIL ONLY

To maintain the security of the exam and the validity of my AP score, I will allow no one else to see the multiple-choice questions. I will seal the multiple-choice booklet when asked to do so, and I will not discuss these questions with anyone at any time after the completion of the section. I am aware of and agree to the AP Program's policies and procedures as outlined in the *2011-12 Bulletin for AP Students and Parents*, including using testing accommodations (e.g., extended time, computer, etc.) only if I have been preapproved by College Board Services for Students with Disabilities.

A. SIGNATURE Sign your legal name as it will appear on your college applications. Date

B. LEGAL NAME Omit apostrophes, Jr., II.

Legal Last Name — First 15 Letters | Legal First Name — First 12 Letters | MI

C. YOUR AP NUMBER

D. EXAM DATE Month

E. EXAM START TIME AM PM

F. MULTIPLE-CHOICE BOOKLET SERIAL NUMBER S

G. ONLINE PROVIDER CODE

H. AP EXAM I AM TAKING USING THIS ANSWER SHEET Print Exam Name: Print Form: Print Form Code:

STUDENT INFORMATION AREA — COMPLETE THIS AREA ONLY ONCE.

I. DATE OF BIRTH

Month: Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec

Day | Year

J. SEX

- Female
- Male

K. CURRENT GRADE LEVEL

- Pre-9th
- 9th
- 10th
- 11th
- 12th
- Post-12th

L. SOCIAL SECURITY NUMBER (Optional)

M. EXPECTED DATE OF COLLEGE ENTRANCE

- Fall
- Winter/Spring
- Summer
- Undecided

- 2012
- 2013
- 2014
- 2015

N. STUDENT SEARCH SERVICE®

I want the College Board to send information about me to colleges, universities and government scholarship programs interested in students like me.

- Yes
- No

O. WHICH LANGUAGE DO YOU KNOW BEST?

- English
- English and another language about the same
- Another language

P. ETHNICITY/RACE

- American Indian or Alaska Native
- Asian, Asian American or Pacific Islander
- Black or African American
- Mexican or Mexican American
- Puerto Rican
- Other Hispanic, Latino or Latin American
- White
- Other

Q. PARENTAL EDUCATION LEVEL

Father/ Male Guardian	Mother/ Female Guardian	
◯	◯	Grade school
◯	◯	Some high school
◯	◯	High school diploma or equivalent
◯	◯	Business or trade school
◯	◯	Some college
◯	◯	Associate or two-year degree
◯	◯	Bachelor's or four-year degree
◯	◯	Some graduate or professional school
◯	◯	Graduate or professional degree

SCHOOL USE ONLY

Section Number: 1 2 3 4 5 6 7 8 9

Fee Reduction Granted: 1 Option 1 2 Option 2

ETS USE ONLY

Exam: 0 1 2 3 4 5 6 7 8 9 / 0 1 2 3 4 5 6 7 8 9

Exam: 0 1 2 3 4 5 6 7 8 9 / 0 1 2 3 4 5 6 7 8 9

762000

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Q3428/1-4

R. SURVEY QUESTIONS — Answer the survey questions in the AP Student Pack. Do not put responses to exam questions in this section.

1	A	B	C	D	E	F	G	H	I	4	A	B	C	D	E	F	G	H	I	7	A	B	C	D	E	F	G	H	I
2	A	B	C	D	E	F	G	H	I	5	A	B	C	D	E	F	G	H	I	8	A	B	C	D	E	F	G	H	I
3	A	B	C	D	E	F	G	H	I	6	A	B	C	D	E	F	G	H	I	9	A	B	C	D	E	F	G	H	I

S. LANGUAGE — Do not complete this section unless instructed to do so.

If this answer sheet is for the French Language and Culture, German Language and Culture, Italian Language and Culture, Spanish Language, or Spanish Literature Exam, please answer the following questions. Your responses will not affect your score.

1. Have you lived or studied for one month or more in a country where the language of the exam you are now taking is spoken?

◯ Yes ◯ No

2. Do you regularly speak or hear the language at home?

◯ Yes ◯ No

Indicate your answers to the exam questions in this section. If a question has only four answer options, do not mark option E. Your answer sheet will be scored by machine. Use only No. 2 pencils to mark your answers on pages 2 and 3 (one response per question). After you have determined your response, be sure to completely fill in the corresponding circle next to the number of the question you are answering. Stray marks and smudges could be read as answers, so erase carefully and completely. Any improper gridding may affect your score. Answers written in the multiple-choice booklet will not be scored.

1	A	B	C	D	E	26	A	B	C	D	E	51	A	B	C	D	E
2	A	B	C	D	E	27	A	B	C	D	E	52	A	B	C	D	E
3	A	B	C	D	E	28	A	B	C	D	E	53	A	B	C	D	E
4	A	B	C	D	E	29	A	B	C	D	E	54	A	B	C	D	E
5	A	B	C	D	E	30	A	B	C	D	E	55	A	B	C	D	E
6	A	B	C	D	E	31	A	B	C	D	E	56	A	B	C	D	E
7	A	B	C	D	E	32	A	B	C	D	E	57	A	B	C	D	E
8	A	B	C	D	E	33	A	B	C	D	E	58	A	B	C	D	E
9	A	B	C	D	E	34	A	B	C	D	E	59	A	B	C	D	E
10	A	B	C	D	E	35	A	B	C	D	E	60	A	B	C	D	E
11	A	B	C	D	E	36	A	B	C	D	E	61	A	B	C	D	E
12	A	B	C	D	E	37	A	B	C	D	E	62	A	B	C	D	E
13	A	B	C	D	E	38	A	B	C	D	E	63	A	B	C	D	E
14	A	B	C	D	E	39	A	B	C	D	E	64	A	B	C	D	E
15	A	B	C	D	E	40	A	B	C	D	E	65	A	B	C	D	E
16	A	B	C	D	E	41	A	B	C	D	E	66	A	B	C	D	E
17	A	B	C	D	E	42	A	B	C	D	E	67	A	B	C	D	E
18	A	B	C	D	E	43	A	B	C	D	E	68	A	B	C	D	E
19	A	B	C	D	E	44	A	B	C	D	E	69	A	B	C	D	E
20	A	B	C	D	E	45	A	B	C	D	E	70	A	B	C	D	E
21	A	B	C	D	E	46	A	B	C	D	E	71	A	B	C	D	E
22	A	B	C	D	E	47	A	B	C	D	E	72	A	B	C	D	E
23	A	B	C	D	E	48	A	B	C	D	E	73	A	B	C	D	E
24	A	B	C	D	E	49	A	B	C	D	E	74	A	B	C	D	E
25	A	B	C	D	E	50	A	B	C	D	E	75	A	B	C	D	E

ETS USE ONLY	48, 55, 62, 75, 87		R	W	O	OTHER		R	W	O
		PT02					TOTAL			
		PT03								
		PT04								

DO NOT WRITE IN THIS AREA

QUESTIONS 76–120

Be sure each mark is dark and completely fills the circle. If a question has only four answer options, do not mark option E.

76	A B C D E	91	A B C D E	106	A B C D E
77	A B C D E	92	A B C D E	107	A B C D E
78	A B C D E	93	A B C D E	108	A B C D E
79	A B C D E	94	A B C D E	109	A B C D E
80	A B C D E	95	A B C D E	110	A B C D E
81	A B C D E	96	A B C D E	111	A B C D E
82	A B C D E	97	A B C D E	112	A B C D E
83	A B C D E	98	A B C D E	113	A B C D E
84	A B C D E	99	A B C D E	114	A B C D E
85	A B C D E	100	A B C D E	115	A B C D E
86	A B C D E	101	A B C D E	116	A B C D E
87	A B C D E	102	A B C D E	117	A B C D E
88	A B C D E	103	A B C D E	118	A B C D E
89	A B C D E	104	A B C D E	119	A B C D E
90	A B C D E	105	A B C D E	120	A B C D E

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DO NOT WRITE IN THIS AREA

HOME ADDRESS AND SCHOOL AREA — COMPLETE THIS AREA ONLY ONCE.

T. YOUR MAILING ADDRESS

Use the address abbreviations from your AP Student Pack. Fill in only one circle per column. Indicate a space in your address by leaving a blank box; do not grid that column.

STREET ADDRESS (include street number, street name, apartment number, etc.)

CITY

ZIP OR POSTAL CODE

COUNTRY CODE

STATE

AK HI MI NV UT
AL IA MN NY VA
AR ID MO OH VT
AZ IL MS OK WA
CA IN MT OR WI
CO KS NC PA WV
CT KY ND RI WY
DC LA NE SC Puerto Rico
DE MA NH SD
FL MD NJ TN Other
GA ME NM TX

X. FOR STUDENTS OUTSIDE THE UNITED STATES ONLY

If the address gridded above is not complete enough for delivery of your score report, please fill in this circle and print your complete address below. →

Address	City	State or Province	Country	ZIP or Postal Code

Y. EMAIL ADDRESS

By providing your email address, you are granting the College Board permission to use your email in accordance with the policies in the *2011-12 Bulletin for AP Students and Parents*.

U. AREA CODE AND PHONE NUMBER

INTERNATIONAL PHONE

V. SCHOOL YOU ATTEND

SCHOOL CODE

School Name

City

State

Country

W. COLLEGE TO RECEIVE YOUR AP SCORE REPORT

COLLEGE CODE

Using the college code listed in the AP Student Pack, indicate the **ONE** college that you want to receive your AP score report.

College Name

City

State

Country

GO ON TO THE NEXT PAGE.

Section I: Multiple-Choice Questions

This is the multiple-choice section of the 2012 AP exam. It includes cover material and other administrative instructions to help familiarize students with the mechanics of the exam. (Note that future exams may differ in look from the following content.)

PLACE SEAL HERE

AP® Macroeconomics Exam

SECTION I: Multiple Choice

2012

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

At a Glance

Total Time
1 hour, 10 minutes
Number of Questions
60
Percent of Total Score
66.6%
Writing Instrument
Pencil required

Instructions

Section I of this exam contains 60 multiple-choice questions. Fill in only the circles for numbers 1 through 60 on your answer sheet.

Indicate all of your answers to the multiple-choice questions on the answer sheet. No credit will be given for anything written in this exam booklet, but you may use the booklet for notes or scratch work. After you have decided which of the suggested answers is best, completely fill in the corresponding circle on the answer sheet. Give only one answer to each question. If you change an answer, be sure that the previous mark is erased completely. Here is a sample question and answer.

Sample Question	Sample Answer
Chicago is a (A) state (B) city (C) country (D) continent (E) village	Ⓐ ● Ⓒ Ⓓ Ⓔ

Use your time effectively, working as quickly as you can without losing accuracy. Do not spend too much time on any one question. Go on to other questions and come back to the ones you have not answered if you have time. It is not expected that everyone will know the answers to all of the multiple-choice questions.

Your total score on the multiple-choice section is based only on the number of questions answered correctly. Points are not deducted for incorrect answers or unanswered questions.

PLACE SEAL HERE

Minimum 20% post-consumer waste

Form I
Form Code 4IBP4-S

35

PLACE SEAL HERE
DO NOT seal answer sheet inside

The inclusion of source material in this exam is not intended as an endorsement by the College Board or ETS of the content, ideas, or values expressed in the material. The material has been selected by the economics faculty who serve on the AP Macroeconomics Development Committee. In their judgment, the material printed here reflects various aspects of the course of study on which this exam is based and is therefore appropriate to use to measure the skills and knowledge of this course.

MACROECONOMICS

Section I

Time—70 minutes

60 Questions

Directions: Each of the questions or incomplete statements below is followed by five suggested answers or completions. Select the one that is best in each case and then fill in the corresponding circle on the answer sheet.

1. A country's government runs a budget deficit when which of the following occurs in a given year?
   (A) The amount of new loans to developing nations exceeds the amount of loans paid off by developing nations.
   (B) Government spending exceeds tax revenues.
   (C) The debt owed to foreigners exceeds the debt owed to the country's citizens.
   (D) The amount borrowed exceeds the interest payment on the national debt.
   (E) Interest payments on the national debt exceed spending on goods and services.

2. A high marginal propensity to consume implies which of the following?
   (A) A small change in consumption when income changes
   (B) A high savings rate
   (C) A high marginal tax rate
   (D) An equilibrium level of income near full employment
   (E) A low marginal propensity to save

3. The transaction demand for money is very closely associated with money's use as a
   (A) store of value
   (B) standard unit of account
   (C) measure of value
   (D) medium of exchange
   (E) standard of deferred payment

4. Unlike a market economy, a command economy uses
   (A) more centralized planning in economic decision making
   (B) consumer sovereignty to make production decisions
   (C) its resources more efficiently
   (D) price signals in economic decision making
   (E) the popular vote in making resource allocation decisions

5. The value of a country's currency will tend to appreciate if
   (A) demand for the country's exports increases
   (B) the country's money supply increases
   (C) the country's citizens increase their travel abroad
   (D) domestic interest rates decrease
   (E) tariffs on the country's imports decrease

6. Which of the following best illustrates an improvement in a country's standard of living?
   (A) An increase in real per capita gross domestic product
   (B) An increase in nominal per capita gross domestic product
   (C) Price stability
   (D) A balanced budget
   (E) An increase in the consumer price index

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7. Hyperinflation is typically caused by

(A) high tax rates that discourage work effort
(B) continuous expansion of the money supply to finance government budget deficits
(C) trade surpluses that are caused by strong protectionist policies
(D) bad harvests that lead to widespread shortages
(E) a large decline in corporate profits that leads to a decrease in production

8. All of the following changes will shift the investment demand curve to the right EXCEPT

(A) a decrease in the corporate income tax rate
(B) an increase in the productivity of new capital goods
(C) an increase in the real interest rate
(D) an increase in corporate profits
(E) an increase in real gross domestic product

9. The official unemployment rate understates the unemployment level in the economy because the official unemployment rate

(A) ignores the duration of unemployment
(B) ignores underemployed and discouraged workers
(C) includes jobs created by the underground economy
(D) excludes all unemployed teenagers
(E) excludes frictionally unemployed workers

10. If a reduction in aggregate supply is followed by an increase in aggregate demand, which of the following will definitely occur?

(A) Output will increase.
(B) Output will decrease.
(C) Output will not change.
(D) The price level will increase.
(E) The price level will decrease.

11. Which of the following combinations of changes in government spending and taxes is necessarily expansionary?

	Government Spending	Taxes
(A)	Increase	Increase
(B)	Increase	Decrease
(C)	Decrease	Not change
(D)	Decrease	Increase
(E)	Decrease	Decrease

12. The amount of money that the public wants to hold in the form of cash will

(A) be unaffected by any change in interest rates or the price level
(B) increase if interest rates increase
(C) decrease if interest rates increase
(D) increase if the price level decreases
(E) decrease if the price level remains constant

13. For an economy consisting of households and businesses only, which of the following is consistent with the circular flow of income and production?

(A) Households are producers of goods and services and consumers of resources.
(B) Households are users of resources, and businesses are sources of saving.
(C) Households are suppliers of resources and consumers of goods and services.
(D) Businesses are users of taxes, and households are sources of taxes.
(E) Businesses are suppliers of resources and consumers of goods and services.

14. With an increase in the real interest rate, consumption and real gross domestic product will most likely change in which of the following ways?

	Consumption	Real Gross Domestic Product
(A)	Increase	Increase
(B)	Increase	Decrease
(C)	Decrease	Increase
(D)	Decrease	Decrease
(E)	No change	Increase

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15. According to the short-run Phillips curve, lower inflation rates are associated with

(A) higher unemployment rates
(B) higher government spending
(C) larger budget deficits
(D) greater labor-force participation rates
(E) smaller labor-force participation rates

16. Which of the following will lead to a decrease in a nation's money supply?

(A) A decrease in income tax rates
(B) A decrease in the discount rate
(C) An open market purchase of government securities by the central bank
(D) An increase in reserve requirements
(E) An increase in government expenditures on goods and services

17. An increase in which of the following would cause the aggregate demand curve to shift to the left?

(A) Consumer optimism
(B) Population
(C) Cost of resources
(D) Income taxes
(E) Net exports

18. Which of the following changes in the supply of and the demand for a good will definitely result in a decrease in both the equilibrium price and quantity of the good?

	Supply	Demand
(A)	Increase	Increase
(B)	Increase	No change
(C)	No change	Decrease
(D)	Decrease	Increase
(E)	Decrease	Decrease

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BANK A

Assets		Liabilities	
Actual reserves	$1,000	Demand deposits	$5,000
Loans	$4,000		

BANK B

Assets		Liabilities	
Actual reserves	$ 100	Demand deposits	$ 600
Loans	$ 500		

BANK C

Assets		Liabilities	
Actual reserves	$ 10	Demand deposits	$ 100
Loans	$ 90		

19. Based on the balance sheets above for three different banks, which of the following is true, if the reserve requirement is 10 percent?

(A) Bank A has no excess reserves.
(B) Bank B has no excess reserves.
(C) Bank B can increase its loans by $500.
(D) Bank B can increase its loans by $40.
(E) Bank C has excess reserves.

---

20. Which of the following will most likely lead to a decrease in inflationary expectations?

(A) A decrease in the marginal propensity to save
(B) A decrease in imports
(C) A decrease in the money supply
(D) An increase in the government budget deficit
(E) An increase in the prices of raw materials

21. With an upward-sloping short-run aggregate supply curve, an increase in government expenditure will most likely

(A) reduce the price level
(B) reduce the level of nominal gross domestic product
(C) increase real gross domestic product
(D) shift the short-run aggregate supply curve to the right
(E) shift both the aggregate demand curve and the long-run aggregate supply curve to the left

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22. Which of the following are the most likely short-run effects of an increase in government expenditures?

	Unemployment Rate	Inflation Rate	Real Gross Domestic Product
(A)	Increase	Increase	Increase
(B)	Increase	Increase	Decrease
(C)	Decrease	Increase	Increase
(D)	Decrease	Decrease	Increase
(E)	No change	Decrease	Increase

---

23. In the short run, an expansionary monetary policy would most likely result in which of the following changes in the price level and real gross domestic product (GDP) ?

	Price Level	Real GDP
(A)	Decrease	Increase
(B)	No change	Decrease
(C)	Increase	No change
(D)	Increase	Decrease
(E)	Increase	Increase

24. A reduction in inflation can best be achieved by which of the following combinations of fiscal and monetary policy?

	Fiscal Policy	Monetary Policy
(A)	Increase taxes	Sell government bonds
(B)	Decrease taxes	Buy government bonds
(C)	Decrease taxes	Lower margin requirements
(D)	Decrease government spending	Lower discount rate
(E)	Increase government spending	Raise discount rate

25. Which of the following is likely to occur following the depreciation of the United States dollar?

(A) United States imports will increase.
(B) United States exports will increase.
(C) Demand for the United States dollar will decrease.
(D) United States demand for foreign currencies will increase.
(E) United States goods will become more expensive in foreign markets.

26. The table below shows the production alternatives of Country A and Country B for producing computers and cars with equal amounts of resources that are fully and efficiently employed.

Country	Computers	Cars
A	24	0
	0	12
B	45	0
	0	15

Which of the following is true according to the data in the table?

(A) Country A has an absolute and comparative advantage in the production of computers.
(B) Country B has an absolute and comparative advantage in the production of computers.
(C) Country B should import computers and export cars.
(D) Since Country B has an absolute advantage in the production of both goods, it will not trade with Country A.
(E) Neither country can benefit from trade.

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27. Which of the following individuals is considered officially unemployed?

(A) Chris, who has not worked for more than three years and has given up looking for work
(B) Kim, who is going to school full-time and is waiting until graduation before looking for a job
(C) Pat, who recently left a job to look for a different job in another town
(D) Leslie, who retired after turning 65 only five months ago
(E) Lee, who is working 20 hours per week and is seeking full-time employment

28. An increase in net investment leads to faster economic growth because capital per worker and output per worker will change in which of the following ways?

	Capital per Worker	Output per Worker
(A)	Increase	Increase
(B)	Increase	Decrease
(C)	No change	Increase
(D)	Decrease	Increase
(E)	Decrease	Decrease

29. If a country's economy is operating below the full-employment level of output at a very low inflation rate, the central bank of the country is most likely to

(A) pursue an expansionary monetary policy because it is required to do so by law whenever output is below the full-employment level
(B) pursue an expansionary fiscal policy because it is required to do so by law whenever output is below the full-employment level
(C) lower the discount rate and buy bonds on the open market to generate an increase in output
(D) lower the required reserve ratio and sell bonds on the open market to generate an increase in output
(E) raise the discount rate and lower the required reserve ratio to generate an increase in output

30. Assume that an economy is currently in long-run equilibrium and the short-run aggregate supply curve is upward sloping. An adverse supply shock, such as a drought, will most likely cause which of the following to the economy in the short run?

(A) A decrease in the price level and a decrease in the nominal wage
(B) A decrease in the price level and an increase in the nominal wage
(C) An increase in the price level and an increase in the nominal wage
(D) An increase in the price level and an increase in the real wage
(E) An increase in the price level and a decrease in the real wage

31. If Country Alpha has been experiencing a higher inflation rate than Country Beta over the past decade, which of the following is true?

(A) Alpha's currency will have appreciated relative to Beta's currency.
(B) Alpha's currency will have depreciated relative to Beta's currency.
(C) Alpha will have had lower nominal interest rates than Beta.
(D) Alpha will have had slower growth in the money supply than Beta.
(E) Alpha's economy will have grown at a faster rate than Beta's.

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	National Economic Figures (billions of dollars)
Consumption	$ 3,000
Government purchases of goods and services	1,000
Gross private domestic investment	700
Depreciation	300
Exports	300
Imports	500
Indirect business taxes	0

32. Based on the economic figures in the table above, what is the value of gross domestic product, in billions of dollars?

(A) $4,500
(B) $4,700
(C) $4,900
(D) $5,150
(E) $5,950

---

33. Which of the following best explains the increase in national income that results from equal increases in government spending and taxes?

(A) Consumers do not reduce their spending by the full amount of the tax increase.
(B) The government purchases some goods that consumers would have purchased on their own anyway.
(C) Consumers believe all tax cuts are transitory.
(D) The increase in government spending causes a decrease in investment.
(E) Consumers are aware of tax increases but not of increases in government spending.

34. Which of the following statements is true of unanticipated inflation?

(A) It decreases the economic well-being of all members of society proportionately.
(B) It decreases the economic well-being of all members of society equally.
(C) It increases the economic well-being of net creditors.
(D) It increases the economic well-being of net debtors.
(E) It increases the economic well-being of workers with long-term labor contracts.

35. A simultaneous increase in inflation and unemployment could be explained by an increase in which of the following?

(A) Consumer spending
(B) The money supply
(C) Labor productivity
(D) Investment spending
(E) Inflationary expectations

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36. A country can have an increased surplus in its balance of trade as a result of

(A) an increase in domestic inflation
(B) declining imports and rising exports
(C) higher tariffs imposed by its trading partners
(D) an increase in capital inflow
(E) an appreciating currency

37. Policies intended to reduce demand-pull inflation are most likely to increase which of the following in the short run?

(A) Gross domestic product
(B) The labor force participation rate
(C) The price level
(D) Unemployment
(E) Wage levels

38. An increase in the government budget deficit is most likely to result in an increase in which of the following?

(A) The marginal propensity to consume
(B) Exports
(C) The real interest rate
(D) The money supply
(E) The simple multiplier

39. An increase in which of the following would be most likely to increase long-run growth?

(A) Pension payments
(B) Unemployment compensations
(C) Subsidies to businesses for purchases of capital goods
(D) Tariffs on imported capital goods
(E) Tariffs on imported oil

40. A commercial bank's ability to create money depends on which of the following?

(A) The existence of a central bank
(B) A fractional reserve banking system
(C) Gold or silver reserves backing up the currency
(D) A large national debt
(E) The existence of both checking accounts and savings accounts

41. The consumer price index (CPI) is designed to measure changes in the

(A) spending patterns of urban consumers only
(B) spending patterns of all consumers
(C) wholesale price of manufactured goods
(D) prices of all goods and services produced in an economy
(E) cost of a select market basket of goods and services

42. A barter economy is different from a money economy in that a barter economy

(A) encourages specialization and division of labor
(B) involves higher costs for each transaction
(C) eliminates the need for a double coincidence of wants
(D) has only a few assets that serve as a medium of exchange
(E) promotes market exchanges

43. In the short run, which of the following would occur to bond prices and interest rates if a central bank bought bonds through open-market operations?

	Bond Prices	Interest Rates
(A)	No change	Increase
(B)	Increase	Increase
(C)	Increase	Decrease
(D)	Decrease	Increase
(E)	Decrease	Decrease

44. Suppose that in an economy with lump-sum taxes and no international trade, autonomous investment spending increases by $2 million. If the marginal propensity to consume is 0.75, equilibrium gross domestic product will change by a maximum of

(A) $0.5 million
(B) $1.5 million
(C) $2.0 million
(D) $8.0 million
(E) $15.0 million

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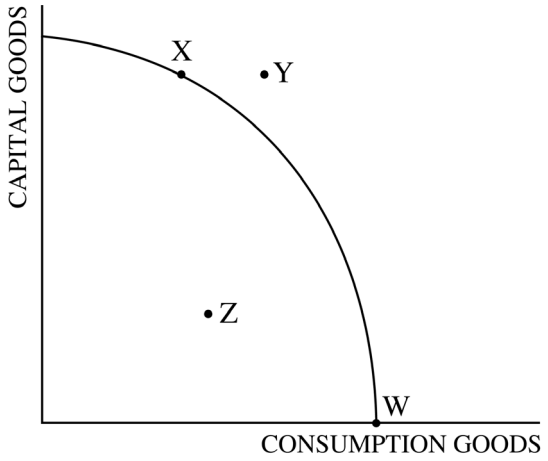

45. The diagram above shows the production possibilities curve for an economy that produces only consumption and capital goods. All of the following statements about this economy are true EXCEPT:

(A) Producing at point Z results in the underutilization of resources.
(B) The combination represented by point Y is unattainable, given the scarcity of resources.
(C) Resources are fully utilized at points W and X.
(D) Producing at point X will result in greater economic growth than will producing at point W.
(E) Point X represents the most efficient combination of the two goods that can be produced by this economy.

46. Assume that the required reserve ratio is 10 percent, banks keep no excess reserves, and borrowers deposit all loans made by banks. Suppose you have saved $100 in cash at home and decide to deposit it in your checking account. As a result of your deposit, the money supply can increase by a maximum of

(A) $800
(B) $900
(C) $1,000
(D) $1,100
(E) $1,200

47. Which of the following would be the initial impact on an economy if wages were to increase more than worker productivity?

(A) There would be no initial impact, since neither the aggregate supply curve nor the aggregate demand curve would shift.
(B) Employment would increase, causing a rightward shift in the aggregate demand curve.
(C) The price level would increase, resulting in excess aggregate supply.
(D) The short-run aggregate supply curve would shift to the left, increasing the price level.
(E) The aggregate demand curve would shift to the left, increasing the price level.

48. Under a flexible exchange-rate system, the Indian rupee will appreciate against the Japanese yen when

(A) India's inflation rate exceeds Japan's
(B) India has a trade deficit with Japan
(C) Japan's economy enters a recession, but India's does not
(D) Japan's money supply decreases while India's money supply increases
(E) real interest rates in India increase relative to those in Japan

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49. Which of the following occurs as investment becomes more responsive to changes in the interest rate?

(A) Monetary policy becomes more effective at changing real gross domestic product.
(B) Fiscal policy becomes more effective at changing real gross domestic product.
(C) Monetary policy becomes more effective at changing interest rates.
(D) Fiscal policy becomes more effective at changing interest rates.
(E) There is no change in the effectiveness of either monetary or fiscal policy.

50. If two nations specialize according to the law of comparative advantage and then trade with each other, which of the following would be true?

(A) A smaller number of goods would be available in each trading nation.
(B) Total world production of goods would decrease.
(C) Everyone within each nation would be better off.
(D) Each nation would increase its consumption possibilities.
(E) One nation would gain at the expense of the other nation.

51. The shifting of a country's production possibilities curve to the right will most likely cause

(A) net exports to decline
(B) inflation to increase
(C) the aggregate demand curve to shift to the left
(D) the long-run aggregate supply curve to shift to the left
(E) the long-run aggregate supply curve to shift to the right

52. One explanation for the downward slope of the aggregate demand curve is that when the price level increases, which of the following will decrease?

(A) Real value of assets
(B) Prices of foreign goods
(C) Prices of substitute goods
(D) Expectations of future prices
(E) Government deficit

53. Which of the following is true about changes in tax rates, changes in the level of government expenditures, and changes in the money supply?

(A) They are automatic stabilizers.
(B) They are tools of discretionary fiscal policy.
(C) They have different lag times between implementation of a policy and its effects on aggregate demand.
(D) They are favored equally by both classical and Keynesian economists to fine-tune the economy.
(E) All are controlled by the Federal Reserve system.

54. An increase in which of the following would LEAST likely increase labor productivity?

(A) Physical capital
(B) Human capital
(C) Technological improvements
(D) Educational achievement
(E) The labor force

55. Tariffs are different from assigned import quotas in that tariffs will

(A) restrict imports
(B) increase the price of imported goods
(C) benefit domestic consumers of imported goods
(D) hurt domestic producers of goods facing import competition
(E) generate additional revenue for the domestic government

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56. In the narrowest definition of money, M1, savings accounts are excluded because they are

(A) not a medium of exchange
(B) not insured by federal deposit insurance
(C) available from financial institutions other than banks
(D) a store of purchasing power
(E) interest-paying accounts

57. For which of the following sets of unemployment and inflation rates will a central bank be most reluctant to increase the rate of growth in the money supply?

	Unemployment Rate	Inflation Rate
(A)	10%	2%
(B)	10%	5%
(C)	10%	10%
(D)	5%	5%
(E)	5%	10%

58. Assume that Jane's marginal propensity to consume equals 0.8, and that in 2004 Jane spent $36,000 from her disposable income of $40,000. If her disposable income in 2005 increased to $50,000, her consumption spending increased by

(A) $4,000
(B) $8,000
(C) $9,000
(D) $10,000
(E) $14,000

59. Advocates of a monetary rule recommend increasing the money supply at a rate that is equal to the rate of increase in which of the following?

(A) Price level
(B) Unemployment rate
(C) Level of exports
(D) Level of imports
(E) Long-run real gross domestic product

60. If economic agents perfectly anticipate policy changes and if all prices, including wages, are completely flexible, which of the following will be true in the long run?

(A) The price level will be constant.
(B) There will be no trade-off between inflation and unemployment.
(C) The unemployment rate will be less than the natural rate of unemployment.
(D) The unemployment rate will be greater than the natural rate of unemployment.
(E) Changes in the money supply will not lead to changes in the price level.

END OF SECTION I

IF YOU FINISH BEFORE TIME IS CALLED, YOU MAY CHECK YOUR WORK ON THIS SECTION.

DO NOT GO ON TO SECTION II UNTIL YOU ARE TOLD TO DO SO.

MAKE SURE YOU HAVE DONE THE FOLLOWING.

- **PLACED YOUR AP NUMBER LABEL ON YOUR ANSWER SHEET**
- **WRITTEN AND GRIDDED YOUR AP NUMBER CORRECTLY ON YOUR ANSWER SHEET**
- **TAKEN THE AP EXAM LABEL FROM THE FRONT OF THIS BOOKLET AND PLACED IT ON YOUR ANSWER SHEET**

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Section II: Free-Response Questions

This is the free-response section of the 2012 AP exam. It includes cover material and other administrative instructions to help familiarize students with the mechanics of the exam. (Note that future exams may differ in look from the following content.)

AP® Macroeconomics Exam

SECTION II: Free Response

2012

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

At a Glance

Total Time
1 hour
Number of Questions
3
Percent of Total Score
33.3%
Writing Instrument
Pen with black or dark blue ink

Reading Period

Time
10 minutes. Use this time to read the questions and plan your answers.

Writing Period

Time
50 minutes

Question 1
Suggested Time
25 minutes
Percent of Section II Score
50%

Question 2
Suggested Time
12.5 minutes
Percent of Section II Score
25%

Question 3
Suggested Time
12.5 minutes
Percent of Section II Score
25%

IMPORTANT Identification Information

PLEASE PRINT WITH PEN:

1. First two letters of your last name ☐☐
   First letter of your first name ☐
2. Date of birth
   ☐☐ Month ☐☐ Day ☐☐☐☐ Year
3. Six-digit school code
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Instructions

The questions for Section II are printed in this booklet. You may use page 3 of this booklet to organize your answers and for scratch work, but you must write your answers on the lined pages provided for each question.

The proctor will announce the beginning and end of the reading period. You are advised to spend the 10-minute period reading all the questions, and to use page 3 to sketch graphs, make notes, and plan your answers. Do NOT begin writing on the lined pages until the proctor tells you to do so.

Write clearly and legibly. Do not skip lines. Cross out any errors you make; crossed-out work will not be scored.

Manage your time carefully. You may proceed freely from one question to the next. You may review your responses if you finish before the end of the exam is announced.

Minimum 20% post-consumer waste

Form I
Form Code 4IBP-S2

SECTION II BEGINS ON PAGE 4.

USE THE SPACE BELOW TO PLAN YOUR ANSWERS TO THE FREE-RESPONSE QUESTIONS.

MACROECONOMICS

Section II

Planning Time—10 minutes

Writing Time—50 minutes

Directions: You have 10 minutes to read all of the questions in this booklet, to sketch graphs, to make notes, and to plan your answers. You will then have 50 minutes to answer all three of the following questions. It is suggested that you spend approximately half your time on the first question and divide the remaining time equally between the next two questions. In answering the questions, you should emphasize the line of reasoning that generated your results; it is not enough to list the results of your analysis. Include correctly labeled diagrams, if useful or required, in explaining your answers. A correctly labeled diagram must have all axes and curves clearly labeled and must show directional changes. Use a pen with black or dark blue ink.

1. Assume that the country of Rankinland is currently in recession.

   (a) Assume that Rankinland produces only food and clothing. Draw a correctly labeled production possibilities curve for Rankinland. Show a point that could represent the current output combination and label it A.

   (b) Assume that the Central Bank of Rankinland pursues an expansionary monetary policy.

      (i) Identify the open-market operation that the Central Bank would use.

      (ii) Draw a correctly labeled money market graph and show the short-run effect of the expansionary monetary policy on the nominal interest rate.

      (iii) Assuming no change to the price level, what happens to the real interest rate as a result of the expansionary monetary policy? Explain.

      (iv) Given your answer to part (b)(iii) regarding the real interest rate, what happens to the real gross domestic product (GDP) in the short run? Explain.

   (c) Suppose Rankinland has a current account deficit. Rankinland's currency is called the bera.

      (i) What will initially happen to the current account deficit in Rankinland solely due to the change in the real GDP from part (b)(iv) ? Explain.

      (ii) What will happen to the international value of the bera solely due to the change in the real GDP from part (b)(iv) ? Explain.

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Additional answer page for Question 1.

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Additional answer page for Question 1.

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2. The following is a simplified balance sheet for Mi Tierra Bank in the United States.

Mi Tierra Bank

Assets		Liabilities	
Required reserves	$10,000	Demand deposits	$100,000
Excess reserves	$5,000		
Loans	$85,000	Owner's equity	$ 0

(a) What is the reserve requirement?

(b) Assume that Luis withdraws $5,000 in cash from his checking account at Mi Tierra Bank.

(i) By how much will Mi Tierra Bank's reserves change based on Luis' withdrawal?

(ii) What is the initial effect of the withdrawal on the M1 measure of money supply? Explain.

(iii) As a result of the withdrawal, what is the new value of excess reserves on the balance sheet of Mi Tierra Bank based on the reserve requirement from part (a) ?

(c) Assume that the next day John withdraws from Mi Tierra Bank an amount that exceeds the bank's excess reserves. Assuming that no loans are called in, how can Mi Tierra Bank cover its required reserves?

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Additional answer page for Question 2.

GO ON TO THE NEXT PAGE.

3. Assume the economy of Andersonland is in a long-run equilibrium with full employment. In the short run, nominal wages are fixed.

   (a) Draw a correctly labeled graph of short-run aggregate supply, long-run aggregate supply, and aggregate demand. Show each of the following.

      (i) Equilibrium output, labeled Y_1

      (ii) Equilibrium price level, labeled PL_1

   (b) Assume that there is an increase in exports from Andersonland. On your graph in part (a), show the effect of higher exports on the equilibrium in the short run, labeling the new equilibrium output and price level Y_2 and PL_2, respectively.

   (c) Based on your answer in part (b), what is the impact of higher exports on real wages in the short run? Explain.

   (d) As a result of the increase in exports, export-oriented industries in Andersonland increase expenditures on new container ships and equipment.

      (i) What component of aggregate demand will change?

      (ii) What is the impact on the long-run aggregate supply? Explain.

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Additional answer page for Question 3.

GO ON TO THE NEXT PAGE.

STOP

END OF EXAM

THE FOLLOWING INSTRUCTIONS APPLY TO THE COVERS OF THE SECTION II BOOKLET.

- **MAKE SURE YOU HAVE COMPLETED THE IDENTIFICATION INFORMATION AS REQUESTED ON THE FRONT <u>AND</u> BACK COVERS OF THE SECTION II BOOKLET.**
- **CHECK TO SEE THAT YOUR AP NUMBER LABEL APPEARS IN THE BOX(ES) ON THE COVER(S).**
- **MAKE SURE YOU HAVE USED THE SAME SET OF AP NUMBER LABELS ON <u>ALL</u> AP EXAMS YOU HAVE TAKEN THIS YEAR.**

Multiple-Choice Answer Key

The following contains the answers to the multiple-choice questions in this exam.

Answer Key for AP Macroeconomics
Practice Exam, Section I

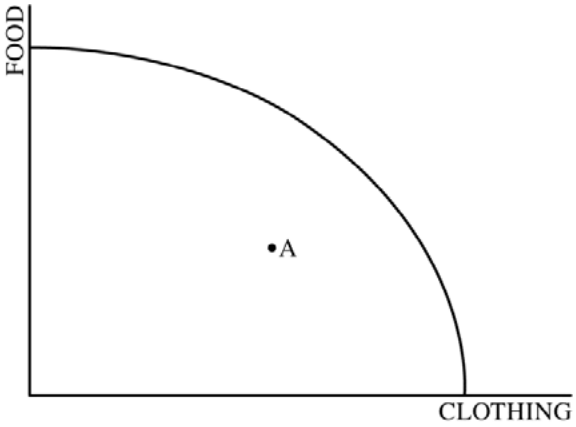
Multiple-Choice Questions	
Question #	**Key**
1	B
2	E
3	D
4	A
5	A
6	A
7	B
8	C
9	B
10	D
11	B
12	C
13	C
14	D
15	A
16	D
17	D
18	C
19	D
20	C
21	C
22	C
23	E
24	A
25	B
26	B
27	C
28	A
29	C
30	E
31	B
32	A
33	A
34	D
35	E
36	B
37	D
38	C
39	C
40	B
41	E
42	B
43	C
44	D
45	E
46	B
47	D
48	E
49	A
50	D
51	E
52	A
53	C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

Free-Response Scoring Guidelines

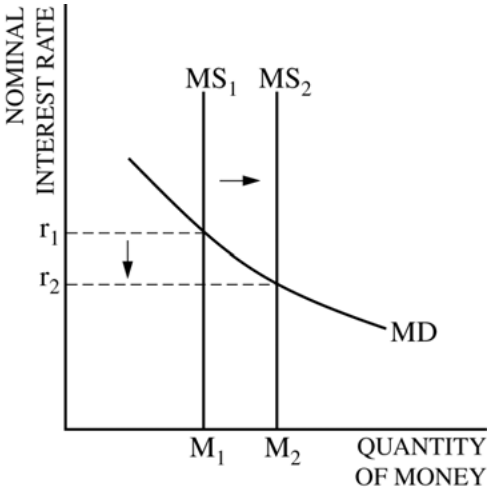
The following contains the scoring guidelines for the free-response questions in this exam.

Question 1

12 Points (2 + 6 + 4)



(a) 2 points:
- One point is earned for a correctly labeled graph of the production possibilities curve (PPC).
- One point is earned for showing point A inside the PPC.



(b) 6 points:
- One point is earned for identifying the buying of bonds as the correct open-market operation to use.
- One point is earned for drawing a correctly labeled graph of the money market.
- One point is earned for showing a rightward shift of the money supply curve, resulting in a lower interest rate.
- One point is earned for stating that the real interest rate will fall.
- One point is earned for explaining that with the price level remaining constant, when the nominal interest rate falls, the real interest rate also falls.
- One point is earned for stating that the real GDP will increase in the short run and explaining that investment or consumption increases, causing aggregate demand to increase.

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Question 1 (continued)

(c) 4 points:

- One point is earned for stating that the current account deficit will increase.
- One point is earned for explaining that the increase in real GDP increases income, which causes imports to increase and net exports to decrease.
- One point is earned for stating that the international value of the bera will decrease.
- One point is earned for explaining that the decline in the international value of the bera is due to an increase in the supply of the bera.

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Question 2

5 points (1 + 3 + 1)

(a) 1 point:

- One point is earned for calculating the correct reserve requirement of 10 percent ($10,000/$100,000).

(b) 3 points:

- One point is earned for stating that total bank reserves will decrease by $5,000.
- One point is earned for stating that the $5,000 withdrawal has no effect on the M1 measure of the money supply because it only changes the composition of M1 between cash and demand deposits.
- One point is earned for stating that the new value of the excess reserves is $500.

(c) 1 point:

- One point is earned for stating that the bank can borrow from the Federal Reserve or from another bank.

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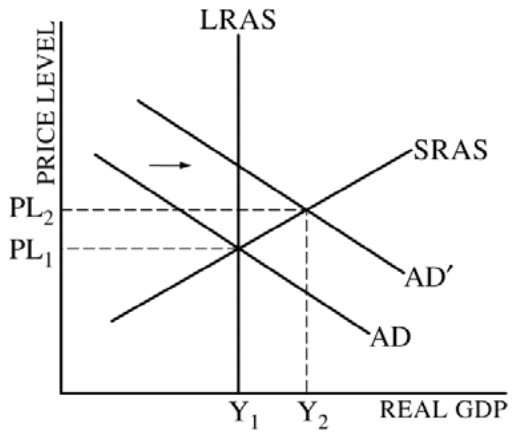
Question 3

6 points (2 + 1 + 1 + 2)



(a) 2 points:
- One point is earned for drawing a correctly labeled graph and showing the AD and SRAS curves and PL_1.
- One point is earned for showing a vertical LRAS curve at the output Y_1 through the intersection of the SRAS and AD curves.

(b) 1 point:
- One point is earned for showing a rightward shift of the aggregate demand curve and showing Y_2 and PL_2.

(c) 1 point:
- One point is earned for stating that real wages will fall because the price level has increased and the nominal wages are fixed in the short run.

(d) 2 points:
- One point is earned for stating that the investment component of AD will change.
- One point is earned for stating that the long-run aggregate supply curve will shift to the right because the capital stock has increased.

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Scoring Worksheet

The following provides a worksheet and conversion table used for calculating a composite score of the exam.

2012 AP Macroeconomics Scoring Worksheet

Section I: Multiple Choice

_____ × 1.0000 = _____

Number Correct (out of 60) — Weighted Section I Score (Do not round)

Section II: Free Response

Question 1 _____ (out of 12) × 1.2500 = _____ (Do not round)

Question 2 _____ (out of 5) × 1.5000 = _____ (Do not round)

Question 3 _____ (out of 6) × 1.2500 = _____ (Do not round)

Sum = _____ Weighted Section II Score (Do not round)

Composite Score

_____ + _____ = _____

Weighted Section I Score — Weighted Section II Score — Composite Score (Round to nearest whole number)

AP Score Conversion Chart
Macroeconomics

Composite Score Range	AP Score
71-90	5
59-70	4
51-58	3
41-50	2
0-40	1

AP Macroeconomics

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