CollegeBoard

AP® Macroeconomics Practice Exam

From the 2014 Administration

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Note: This publication shows the page numbers that appeared in the *2013–14 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 *2013–14 AP Exam Instructions* book.

AP® Macroeconomics/Microeconomics Exam

Regularly Scheduled Exam Date: Thursday morning, May 15, 2014

Late-Testing Exam Date: Wednesday morning, May 21, 2014

Section I Total Time, Macroeconomics: 1 hr. 10 min.
Section I Total Time, Microeconomics: 1 hr. 10 min.
Section II Total Time, Macroeconomics: 1 hr.
Section II Total Time, Microeconomics: 1 hr.

What Proctors Need to Bring to This Exam

- Exam packets
- Answer sheets
- AP Student Packs
- *2013-14 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 15, 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 21, and you will be taking the AP Macroeconomics Exam.

Microeconomics

If you are giving the regularly scheduled exam, say:

It is Thursday afternoon, May 15, 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 21, 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 *2013-14 Bulletin for AP Students and Parents*. You may now remove the shrinkwrap from your exam packet and take out the Section I booklet, but do not open the booklet or the shrinkwrapped Section II materials. Put the white seals aside. . . .

Carefully remove the AP Exam label found near the top left of your exam booklet cover. Now place it on page 1 of your answer sheet on the light blue box near the top right-hand corner that reads "AP Exam Label."

If students accidentally place the exam label in the space for the number label or vice versa, advise them to leave the labels in place. They should not try to remove the label; their exam will be processed correctly.

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 beginning on page 2 of 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.

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. . . .**

Collect a Section I booklet from each student. 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. If you do not follow these rules, your score could be canceled. 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 complete 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. . . .**

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. You may use page 3 and the pages the questions are printed on to take notes or plan your answers. 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 with black or dark blue ink. 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. . . .

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 or share these specific free-response questions with anyone unless they are released on the College Board website in about two days. Your AP score results will be available online in 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. Your AP score results will be available online in 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. You will need the information on this card to view your scores and order AP score reporting services online.

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 access 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 *2013-14 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.

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 Answer Sheet 2014

AP Number Label
(from Student Pack)

B123456789T

AP Exam Label
(from Section I Booklet)

CollegeBoard

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 completing the section. I am aware of and agree to the AP Program's policies and procedures as outlined in the *2013-14 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 Day

E. EXAM START TIME AM PM

F. MULTIPLE-CHOICE BOOKLET SERIAL NUMBER S

G. ONLINE PROVIDER CODE

COMPLETE THIS AREA ONLY ONCE.

I. AREA CODE AND PHONE NUMBER

INTERNATIONAL PHONE

J. SCHOOL YOU ATTEND

SCHOOL CODE

School Name

City

State

Country

K. DATE OF BIRTH

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

Day

Year

L. SOCIAL SECURITY NUMBER (Optional)

M. 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

N. CURRENT GRADE LEVEL

- Not yet in 9th grade
- 9th
- 10th
- 11th
- 12th
- No longer in high school

H. AP EXAM I AM TAKING USING THIS ANSWER SHEET

Exam Name: Form: Form Code:

773898

SCHOOL USE ONLY

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

Fee Reduction Granted: 1 Option 1 2 Option 2

99735-00657• UNLWEB114

Q3779/1-4

COMPLETE THIS AREA AT EACH EXAM (IF APPLICABLE)

O. 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)

P. 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 and Culture, or Spanish Literature and Culture 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

QUESTIONS 1–75

Indicate your answers to the exam questions in this section (pages 2 and 3). Mark only one response per question. If a question has only four answer options, do not mark option E. Answers written in the multiple-choice booklet will not be scored.

COMPLETE MARK ●

EXAMPLES OF INCOMPLETE MARKS

You must use a No. 2 pencil and marks must be complete. Do not use a mechanical pencil. It is very important that you fill in the entire circle darkly and completely. If you change your response, erase as completely as possible. Incomplete marks or erasures may affect your score.

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)

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

For Students Taking AP Biology

Write your answer in the boxes at the top of the griddable area and fill in the corresponding circles. Mark only one circle in any column. You will receive credit only if the circles are filled in correctly.

121 122 123 124 125 126

ETS USE ONLY

SELECTED MEDIA EXAMS	R	W	O	OTHER EXAMS	R	W	O
PT02				TOTAL			
PT03				Subscore (if applicable)			
PT04				Subscore (if applicable)			

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

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DO NOT WRITE IN THIS AREA

COMPLETE THIS AREA ONLY ONCE.

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

R. FOR STUDENTS OUTSIDE THE UNITED STATES ONLY

◯ If your address does not fit in the spaces provided in Item Q, fill in as many circles as you can, then fill in the circle in Item R and print the remainder of your address in the spaces provided.

Address | City | State or Province | Country | ZIP or Postal Code

T. 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 *2013-14 Bulletin for AP Students and Parents*.

U. STUDENT SEARCH SERVICE®

Colleges and scholarship programs may request your information to inform you of educational opportunities and financial aid. Would you like us to supply your information?

◯ Yes ◯ No

If you don't answer and previously chose to participate in this service, we will continue providing your information.

V. SEX

◯ Female ◯ Male

W. WHICH LANGUAGE DO YOU KNOW BEST?

◯ English

◯ English and another language about the same

◯ Another language

X. 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

Y. 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

S. STUDENT IDENTIFIER (Student ID Number)

Section I: Multiple-Choice Questions

This is the multiple-choice section of the 2014 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

2014

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
66.67%
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

Form I
Form Code 4JBP6-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. Which of the following is the most fundamental issue that economics addresses?

   (A) Choice of appropriate technology
   (B) Reduction of unemployment
   (C) Reduction of budget deficit
   (D) Promotion of privatization
   (E) Use of scarce resources

2. Inflation occurs when there is a sustained increase in which of the following?

   (A) Real gross domestic product
   (B) The average price level
   (C) The price of any commodity
   (D) Labor productivity
   (E) The unemployment rate

3. Which of the following is LEAST likely to promote economic growth?

   (A) Investment in tools and machines
   (B) Investment in training of labor
   (C) Increase in consumption of nondurable goods
   (D) Tax credit for technology improvement
   (E) Increase in the labor force participation rate

4. An increase in spending in an economy will cause a multiplied increase in gross domestic product because

   (A) government spending is greater than zero
   (B) investment is greater than zero
   (C) investment increases as income decreases
   (D) consumption increases as income increases
   (E) taxes increase as income increases

5. A contraction in the money supply will most likely change the nominal interest rate and aggregate demand in which of the following ways in the short run?

	Nominal Interest Rate	Aggregate Demand
(A)	Increase	Decrease
(B)	Increase	Increase
(C)	Increase	Not change
(D)	Decrease	Decrease
(E)	Decrease	Increase

6. If the economy is in a severe recession, which of the following policy actions is most appropriate?

   (A) Keeping the money supply constant and reducing budget deficits
   (B) Decreasing government spending and taxes by the same amount
   (C) Increasing both the money supply and government spending
   (D) Increasing both the federal funds rate and taxes
   (E) Decreasing the money supply and increasing taxes

7. Of the following, the most liquid asset is

   (A) mutual funds
   (B) currency
   (C) time deposits
   (D) demand deposits
   (E) savings deposits

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Questions 8-9 refer to the income and consumption data presented in the table below.

Assume a closed economy with no government and a marginal propensity to consume of 0.80.

Disposable Income	Consumption
$620	$624
$640	$640
$660	$656
$680	$672
$700	$688
$720	$704
$740	$720
$760	$736

8. Dissaving occurs when disposable income is

(A) $620
(B) $640
(C) $660
(D) $700
(E) $1,000

9. The marginal propensity to save for this economy is

(A) 4.0
(B) 1.0
(C) 0.8
(D) 0.2
(E) 0

10. An increase in government spending will affect the demand for money and nominal interest rates in which of the following ways?

	Demand for Money	Nominal Interest Rates
(A)	Increase	Increase
(B)	Increase	Decrease
(C)	Increase	Indeterminate
(D)	Decrease	Increase
(E)	Decrease	Decrease

11. Which of the following policies, if appropriately sized, would provide expansion during a recession with the smallest change in interest rates?

(A) An open-market purchase of government securities by the central bank and a decrease in the federal funds rate
(B) An open-market sale of government securities by the central bank and an increase in the federal funds rate
(C) A decrease in taxes and an open-market purchase of government securities by the central bank
(D) An increase in government spending and an open-market sale of government securities by the central bank
(E) An increase in taxes and an increase in the federal funds rate

12. In the circular flow diagram of a market economy, which of the following supplies the factors of production?

(A) The business sector
(B) The government
(C) The household sector
(D) Financial sector
(E) The foreign sector

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13. If the velocity of money is constant and the aggregate supply curve is vertical, a doubling of the money supply would most likely result in a doubling of

(A) the unemployment rate
(B) real output
(C) the price level
(D) nominal interest rates
(E) real interest rates

14. An increase in which of the following would most likely result in an increase in aggregate supply?

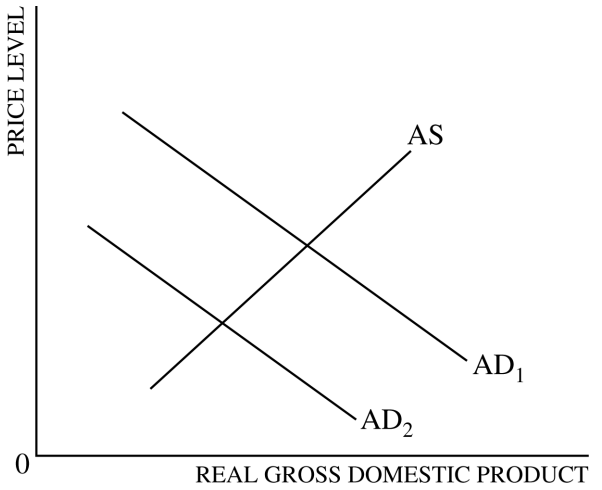
(A) The price level
(B) Aggregate demand
(C) Unemployment compensation
(D) Labor-force participation rate
(E) The minimum wage

15. The main benefit of free trade between two countries is that

(A) income distribution in each country will become more equitable
(B) employment in each country will increase
(C) migration from one country to the other will increase
(D) each country can consume beyond its constraints of resources and productivity
(E) each country will become more self-sufficient

16. Assume that the public holds part of its money in cash and the rest in checking accounts. If the central bank lowers the reserve requirement from 16 percent to 8 percent, the money supply will

(A) decrease by more than half
(B) decrease by half
(C) decrease by less than half
(D) exactly double
(E) increase by less than double



17. The graph above shows two aggregate demand curves, AD_1 and AD_2, and an aggregate supply curve, AS. The shift in the aggregate demand curve from AD_1 to AD_2 could be caused by

(A) a decrease in taxes
(B) a decrease in the money supply
(C) an increase in government spending
(D) an increase in consumption spending
(E) an increase in the price level

18. An increase in the international value of the United States dollar will most likely benefit

(A) domestic producers of premium wines sold to people in other countries
(B) currency traders holding large quantities of yen
(C) German citizens vacationing in the United States
(D) Canadian citizens expecting to purchase real estate in the United States
(E) retired United States citizens living overseas on their social security checks

19. Which of the following will cause an increase in aggregate demand?

(A) An increase in the price level
(B) A decrease in income taxes
(C) An increase in the demand for money
(D) A decrease in the supply of money
(E) A decrease in government transfer payments

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20. If wages are sticky, which of the following policies will be the most effective in raising real gross domestic product to the full-employment level?

(A) Doing nothing, since there are automatic stabilizers
(B) The sale of bonds by the Federal Reserve
(C) An increase in the income tax
(D) An increase in government spending
(E) An increase in the discount rate

21. Suppose that Country A is experiencing high inflation relative to Country B, which is enjoying steady growth with a stable price level. Which of the following would occur in the foreign exchange market?

(A) An increase in the demand for Country A's currency
(B) An increase in the supply of Country B's currency
(C) A decrease in the supply of Country A's currency
(D) A decrease in the demand for Country B's currency
(E) A depreciation of Country A's currency

22. Which of the following will most likely cause an increase in real output in the long run?

(A) A decrease in the labor force participation rate
(B) An increase in the velocity of money
(C) An open-market sale of government bonds by the central bank
(D) An increase in immigration from abroad
(E) An increase in the price level

23. Potential gross domestic product will decrease under which of the following conditions?

(A) The growth rate of the population increases more rapidly than the growth rate of gross domestic product.
(B) Nominal gross domestic product increases more than real gross domestic product.
(C) The natural rate of unemployment decreases.
(D) The country's annual depreciation is greater than its annual gross investment.
(E) The monetary authorities adopt an easy monetary policy.

24. Which of the following actions by the Federal Reserve of the United States increases the money supply?

(A) Buying government bonds on the open market
(B) Selling government bonds on the open market
(C) Increasing the reserve requirement
(D) Increasing the discount rate
(E) Increasing the federal funds rate

25. If the production technology of a good improves and at the same time the number of consumers willing and able to buy the good in the market increases, which of the following will definitely occur?

(A) Equilibrium price will increase.
(B) Equilibrium price will decrease.
(C) Equilibrium quantity will increase.
(D) Equilibrium quantity will decrease.
(E) Equilibrium quantity will remain the same.

26. An increase in which of the following will most likely increase productivity?

(A) Population growth rate
(B) Aggregate demand
(C) Capital stock
(D) Consumption
(E) Employment

27. The short-run aggregate supply curve would be vertical if

(A) nominal wages adjust immediately to changes in the price level
(B) nominal wages adjust slowly when there is unemployment
(C) both nominal wages and prices adjust slowly to changes in aggregate demand
(D) the spending multiplier is very low
(E) investment demand is very responsive to changes in interest rates

28. Increases in the real per capita income of a country are most closely associated with increases in which of the following?

(A) The labor force
(B) The price level
(C) The money supply
(D) Productivity
(E) Tax rates

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29. The consumer price index (CPI) is criticized for

(A) overstating the true burden of inflation because it does not recognize consumers' ability to substitute goods and services as prices change
(B) overstating the true burden of inflation because it recognizes consumers' ability to substitute goods and services as prices change
(C) understating the true burden of inflation because it does not recognize consumers' ability to substitute goods and services as prices change
(D) understating the true burden of inflation because it recognizes consumers' ability to substitute goods and services as prices change
(E) overstating the true burden of inflation because it reflects the prices of both intermediate goods and final goods

30. A rightward shift of the short-run Phillips curve is most likely due to

(A) an increase in aggregate demand
(B) a decrease in aggregate demand
(C) a decrease in the expected rate of inflation
(D) an increase in the expected rate of inflation
(E) an increase in aggregate supply

31. If the marginal propensity to consume is 0.75, then a $100 increase in investment will result in a maximum increase in equilibrium real gross domestic product of

(A) $40.00
(B) $100.00
(C) $133.33
(D) $400.00
(E) $500.00

32. Frictional unemployment occurs when which of the following happens?

(A) A worker is replaced by robots on factory assembly lines.
(B) A worker voluntarily quits a job to search for a better one.
(C) A worker is laid off because of a downturn in economic activity.
(D) A worker undergoes on-the-job training.
(E) A worker switches from working full-time to part-time.

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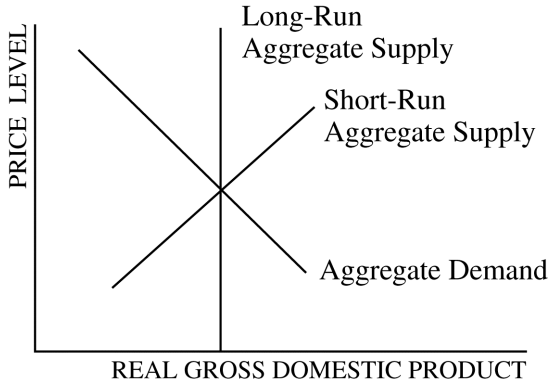

33. On the graph above, stagflation will be caused by a

(A) leftward shift in the short-run aggregate supply curve only
(B) rightward shift in the short-run aggregate supply curve only
(C) leftward shift in the aggregate demand curve only
(D) rightward shift in the aggregate demand curve only
(E) rightward shift in both the short-run aggregate supply and aggregate demand curves

---

34. As a component of aggregate demand, investment refers to the

(A) purchase of raw land for later resale
(B) purchase of stocks and bonds
(C) purchase of new equipment and additional inventories
(D) difference between people's income and spending
(E) dividends paid out to shareholders

35. If a contractionary fiscal policy is followed by an expansionary monetary policy, nominal interest rate and employment would most likely be affected in which of the following ways in the short run?

	Nominal Interest Rate	Employment
(A)	Increase	Increase
(B)	Increase	Decrease
(C)	Decrease	Decrease
(D)	Decrease	Indeterminate
(E)	Indeterminate	Decrease

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36. Assume that the aggregate supply curve is upward sloping. If both aggregate supply and aggregate demand increase, what will happen to the equilibrium output and price level?

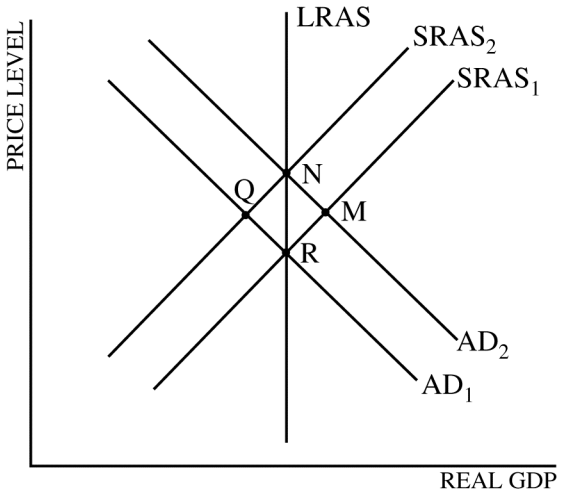
	Output	Price Level
(A)	Decrease	Decrease
(B)	Decrease	Increase
(C)	Indeterminate	Increase
(D)	Increase	Indeterminate
(E)	Increase	Increase

37. Which of the following will lead to a depreciation of a nation's currency?

(A) Lower inflation in the nation than in the rest of the world
(B) Higher required reserve ratio in the nation than in the rest of the world
(C) Decreased real interest rates in the nation compared with the rest of the world
(D) Increased demand for the nation's currency
(E) Decreased supply of the nation's currency

38. Country A's growth rate in per capita real gross domestic product (GDP) has been consistently higher than that of Country B. Which of the following factors can account for these differences in the per capita GDP growth rates?

(A) Country B's government gives more investment tax credits.
(B) The labor force of Country A is becoming more skilled than the labor force of Country B.
(C) The natural rate of unemployment is higher in Country A.
(D) Country A's central bank is less effective at controlling the inflation rate.
(E) Although the populations of Countries A and B are the same, Country A has twice as many people who are retired.



39. According to the graph above and starting with equilibrium point R, which of the following shifts identifies the short-run and the long-run impact of a demand-pull inflation?

	Short Run	Long Run
(A)	R to N	M to N
(B)	R to M	R to N
(C)	R to Q	Q to N
(D)	R to M	R to Q
(E)	R to N	N to Q

40. If the central bank raises the required reserve ratio, the money multiplier and the money supply will change in which of the following ways?

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

41. In the short run, government deficit spending will most likely

(A) raise the unemployment rate
(B) lower the inflation rate
(C) raise nominal interest rates
(D) lower private savings
(E) raise net exports

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42. An increase in the price level will most likely cause which of the following?

(A) A leftward shift of the aggregate demand curve
(B) An increase in the demand for money
(C) An increase in the real interest rate
(D) A decrease in the nominal interest rate
(E) An increase in the supply of money

43. The purchase of United States government bonds by Japanese investors will be included in Japan's

(A) current account
(B) financial account (formerly called capital account)
(C) trade deficit
(D) foreign direct investment
(E) imports

44. Assume that the marginal propensity to consume out of disposable income is 0.8 and that the government taxes all income at a constant rate of 30 percent. If gross income increases by $100, consumption will initially increase by

(A) $44
(B) $56
(C) $70
(D) $80
(E) $100

45. Public policy that generates an unexpected increase in consumer prices will inflict short-run costs on all of the following EXCEPT

(A) borrowers
(B) workers with fixed incomes
(C) savers holding non-interest-bearing money
(D) taxpayers shifted into higher tax brackets
(E) people whose incomes are not adjusted for inflation

46. If aggregate demand is growing faster than long-run aggregate supply, the Federal Reserve is most likely to

(A) sell securities on the open market
(B) increase bond prices
(C) increase income taxes
(D) decrease the discount rate
(E) decrease the required reserve ratio

47. Assume that Country A exports one bushel of wheat in exchange for 2.5 bushels of corn from Country B. If the terms of trade are beneficial to both countries, which of the following must be true?

(A) Country A has an absolute advantage in the production of wheat.
(B) The cost of producing a bushel of wheat in Country A is less than 2.5 bushels of corn.
(C) The cost of producing a bushel of wheat in Country A is greater than 2.5 bushels of corn.
(D) Country A is producing inside its current production possibilities curve.
(E) Country A needs to use more resources to produce wheat than to produce corn.

48. Which of the following is true of the opportunity cost of holding cash?

(A) It is zero.
(B) It is represented by the value of the dollar.
(C) It is equal to the price level.
(D) It decreases as the price level rises.
(E) It increases as the interest rate rises.

49. The natural rate of unemployment can be defined as the

(A) unemployment rate consistent with accelerating inflation
(B) unemployment rate of the least-skilled workers
(C) economy's long-run equilibrium rate of unemployment
(D) labor force participation rate plus the unemployment rate
(E) labor force participation rate minus the unemployment rate

50. In the long run, an increase in aggregate demand due to an expansion in the money supply will increase

(A) price level and real output
(B) nominal output and real output
(C) nominal output but not the price level
(D) nominal output and the price level
(E) real output but not the price level

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51. Rational expectations theory suggests that people

(A) do not estimate future inflation rates because it is impossible to do so
(B) believe that current inflation should be the same as last year's
(C) assume that current inflation will be the same for next year
(D) use all available information in forming their expectations about future inflation
(E) assume that current inflation will be equal to the average inflation of the past decade

52. Following a decrease in the real interest rate, there is an increase in financial capital outflows from Country A. The increase in capital outflows will most likely have which of the following effects on Country A's net exports and aggregate demand?

	Net Exports	Aggregate Demand
(A)	Decrease	Decrease
(B)	Decrease	No change
(C)	Increase	Increase
(D)	Increase	Decrease
(E)	Increase	No change

53. If the required reserve ratio is 10 percent, actual reserves are $10 million, and currency in circulation is equal to $20 million, M1 will at most be equal to

(A) $20 million
(B) $30 million
(C) $90 million
(D) $120 million
(E) $150 million

54. For an economy that is operating inside its production possibilities curve, which of the following is true?

(A) It can increase the production of both goods.
(B) Its population is growing faster than the economy's ability to increase production.
(C) It is using all available resources efficiently.
(D) It cannot move to a point on the production possibilities curve with available technology.
(E) It lacks the resources to increase production beyond its current output.

55. If unemployed workers become discouraged and give up trying to find work, the number of workers employed and the unemployment rate would change in which of the following ways?

	Number of Workers Employed	Unemployment Rate
(A)	Decrease	Decrease
(B)	Decrease	Increase
(C)	Decrease	No change
(D)	No change	Decrease
(E)	No change	Increase

56. Which of the following is true of the Phillips curve?

(A) It is vertical in the short run, but is upward sloping in the long run.
(B) It is upward sloping in the short run, but is downward sloping in the long run.
(C) It is downward sloping in the short run, but is vertical in the long run.
(D) It shows trade-offs between unemployment and inflation in the long run but not in the short run.
(E) It is upward sloping both in the short run and in the long run if inflation is anticipated correctly.

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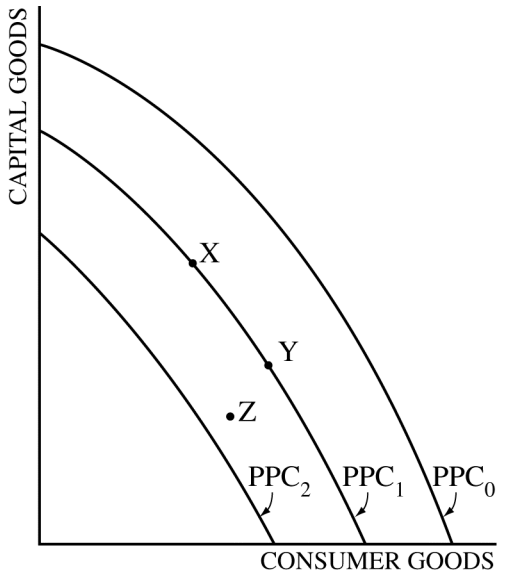

57. The diagram above shows three production possibilities curves (PPCs). If the current PPC is PPC_1, which of the following changes indicates a recession?

(A) Movement from point X to point Y
(B) Movement from point Y to point X
(C) Movement from point Y to point Z
(D) Shift from PPC_1 to PPC_0
(E) Movement from point Z to point X

58. If wages and prices are perfectly flexible and inflation is correctly anticipated, then an expansionary monetary policy will affect the real output and price level in which of the following ways?

	Real Output	Price Level
(A)	Increase	Increase
(B)	Increase	Decrease
(C)	Increase	Not change
(D)	Not change	Increase
(E)	Not change	Not change

59. If the value of the United States dollar increases on the foreign exchange market, which of the following is most likely to occur in the short run?

(A) Aggregate demand will decrease.
(B) Aggregate demand will increase.
(C) Aggregate supply will decrease.
(D) Both aggregate demand and aggregate supply will decrease.
(E) Both aggregate demand and aggregate supply will increase.

60. Assume that the reserve requirement for demand deposits is 20 percent, that banks hold no excess reserves, and that the public holds no currency. If the central bank sells $10,000 worth of government securities to commercial banks, the total money supply will

(A) increase by $10,000
(B) increase by $50,000
(C) decrease by $10,000
(D) decrease by $50,000
(E) not change

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GO ON TO THE NEXT PAGE.

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**

Section II: Free-Response Questions

This is the free-response section of the 2014 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

2014

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
33.33%
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
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Instructions

The questions for Section II are printed in this booklet. You may use page 3 and the pages the questions are printed on 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 planning 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.

Form I
Form Code 4JBP6-S

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.

Question 1 begins on page 4.

Question 2 begins on page 10.

Question 3 begins on page 14.

THIS PAGE MAY BE USED FOR TAKING NOTES AND PLANNING YOUR ANSWERS.

NOTES WRITTEN ON THIS PAGE WILL NOT BE SCORED.

WRITE ALL YOUR RESPONSES ON THE LINED PAGES.

1. Assume that the economy of country Alpha is operating at the full-employment equilibrium.

   (a) Using a correctly labeled graph of aggregate demand, short-run aggregate supply, and long-run aggregate supply, show the equilibrium, labeling the equilibrium price level as PL_1 and the equilibrium output as Y_1.

   (b) Now assume that the economy of country Beta, a major trading partner of Alpha, enters a recession. On your graph from part (a), show the effect of country Beta's recession on each of the following in country Alpha in the short run.

      (i) Aggregate demand. Explain.

      (ii) Real output and price level, labeled as Y_2 and PL_2

   (c) The central bank of Alpha wishes to offset the effect of Beta's recession on Alpha's real output. What open-market operation should the central bank of Alpha undertake?

   (d) Draw a correctly labeled graph of the money market for Alpha, and show the effect of the open-market operation you identified in part (c) on the nominal interest rate in the short run.

   (e) Assume now that the real interest rate in Beta becomes greater than the real interest rate in Alpha. Based on the change in real interest rate, answer each of the following.

      (i) Will financial capital flow from Alpha to Beta or from Beta to Alpha?

      (ii) Will the value of Alpha's currency on the foreign exchange market relative to Beta's currency appreciate, stay the same, or depreciate? Explain.

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ANSWER PAGE FOR QUESTION 1

GO ON TO THE NEXT PAGE.

Question 1 is reprinted for your convenience.

1. Assume that the economy of country Alpha is operating at the full-employment equilibrium.

   (a) Using a correctly labeled graph of aggregate demand, short-run aggregate supply, and long-run aggregate supply, show the equilibrium, labeling the equilibrium price level as PL_1 and the equilibrium output as Y_1.

   (b) Now assume that the economy of country Beta, a major trading partner of Alpha, enters a recession. On your graph from part (a), show the effect of country Beta's recession on each of the following in country Alpha in the short run.

      (i) Aggregate demand. Explain.

      (ii) Real output and price level, labeled as Y_2 and PL_2

   (c) The central bank of Alpha wishes to offset the effect of Beta's recession on Alpha's real output. What open-market operation should the central bank of Alpha undertake?

   (d) Draw a correctly labeled graph of the money market for Alpha, and show the effect of the open-market operation you identified in part (c) on the nominal interest rate in the short run.

   (e) Assume now that the real interest rate in Beta becomes greater than the real interest rate in Alpha. Based on the change in real interest rate, answer each of the following.

      (i) Will financial capital flow from Alpha to Beta or from Beta to Alpha?

      (ii) Will the value of Alpha's currency on the foreign exchange market relative to Beta's currency appreciate, stay the same, or depreciate? Explain.

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ADDITIONAL PAGE FOR ANSWERING QUESTION 1

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ADDITIONAL PAGE FOR ANSWERING QUESTION 1

GO ON TO THE NEXT PAGE.

ADDITIONAL PAGE FOR ANSWERING QUESTION 1

GO ON TO THE NEXT PAGE.

2. The simplified T-account (balance sheet) for Zenith Bank in the country of Everland is shown below. Assume the reserve requirement in Everland is 20 percent.

Assets		Liabilities	
Reserves	$80 million	Deposits	$200 million
Loans	160 million	Net worth (Owners' equity)	40 million

(a) Calculate the maximum amount by which Zenith Bank can increase its loans.

(b) Based on your answer in part (a), calculate the maximum possible increase in Everland's money supply.

(c) Identify one reason that Everland's money supply may expand by a smaller amount than the amount you identified in part (b).

(d) Assume the central bank of Everland purchases $10 million in government securities from the public. If the public deposits the $10 million in Zenith Bank, by how much will Zenith Bank's required reserves change as a result of the new deposit?

(e) What will happen to the price of bonds as a result of the central bank's purchase of government securities described in part (d) ?

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ANSWER PAGE FOR QUESTION 2

GO ON TO THE NEXT PAGE.

ADDITIONAL PAGE FOR ANSWERING QUESTION 2

GO ON TO THE NEXT PAGE.

ADDITIONAL PAGE FOR ANSWERING QUESTION 2

GO ON TO THE NEXT PAGE.

3. Unemployment is an economic problem that a nation frequently faces.

EMPLOYMENT DATA FOR COUNTRY X

Population	1,000
Employed	720
Not working but actively seeking employment	80
Not working and not seeking employment	200

(a) Using the data from the table above, calculate the unemployment rate, as a percentage, for Country X.

(b) Assume that the natural rate of unemployment for Country X is 6 percent.

(i) Draw a single correctly labeled graph and show both the short-run Phillips curve and the long-run Phillips curve.

(ii) Using the unemployment rate you calculated in part (a) and assuming an actual inflation rate of 2 percent, show the current combination of unemployment and inflation on your graph in part (b)(i), and label it as Z.

(c) In the absence of any policy action, will the short-run aggregate supply for Country X increase, decrease, or remain constant in the long run? Explain.

(d) If the actual unemployment rate equals the natural rate of 6 percent, is there cyclical unemployment in Country X?

THIS PAGE MAY BE USED FOR TAKING NOTES AND PLANNING YOUR ANSWERS.

NOTES WRITTEN ON THIS PAGE WILL NOT BE SCORED.

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ANSWER PAGE FOR QUESTION 3

GO ON TO THE NEXT PAGE.

ADDITIONAL PAGE FOR ANSWERING QUESTION 3

GO ON TO THE NEXT PAGE.

ADDITIONAL PAGE FOR ANSWERING QUESTION 3

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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 AND 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 ALL 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

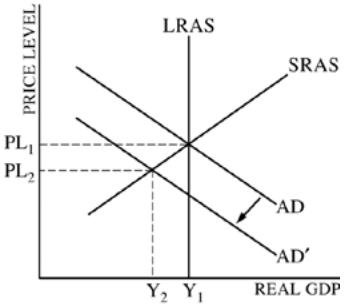
Question 1: E
Question 2: B
Question 3: C
Question 4: D
Question 5: A
Question 6: C
Question 7: B
Question 8: A
Question 9: D
Question 10: A
Question 11: C
Question 12: C
Question 13: C
Question 14: D
Question 15: D
Question 16: E
Question 17: B
Question 18: E
Question 19: B
Question 20: D
Question 21: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

Free-Response Scoring Guidelines

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

Question 1

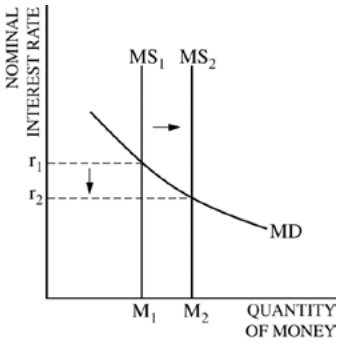
9 Points (2+2+1+2+2)



(a) 2 points:
- One point is earned for drawing a correctly labeled graph, AD and SRAS, and showing Y_1 and PL_1.
- One point is earned for drawing a vertical LRAS at Y_1.

(b) 2 points:
- One point is earned for showing a leftward shift of the AD curve and showing a lower real output, Y_2 and price level, PL_2.
- One point is earned for explaining that the recession in Beta decreases the demand for Alpha's products, and therefore Alpha's exports to Beta will decrease.

(c) 1 point:
- One point is earned for stating that the central bank should buy bonds.



(d) 2 points:
- 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 leading to a lower interest rate.

(e) 2 points:
- One point is earned for stating that financial capital will flow from Alpha to Beta.
- One point is earned for stating that the value of Alpha's currency will depreciate and for explaining that higher interest rate in Beta will increase the demand for its financial assets, increasing the supply of Alpha's currency (or decreasing the demand for Alpha's currency).

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Question 2

5 points (1+1+1+1+1)

(a) 1 point:
- One point is earned for calculating the maximum loan:
  Maximum loan amount = Excess reserves = $80 - (0.2 x $200) = $40 million.

(b) 1 point:
- One point is earned for calculating the maximum increase in the money supply (MS):
  Change in the MS = (1/.20) x ($40) = $200 million.

(c) 1 point:
- One point is earned for stating that either the public may not redeposit all the money back in the account (cash leakages) or the bank may choose to hold additional reserves.

(d) 1 point:
- One point is earned for stating that the bank's required reserves will increase by $2 million.

(e) 1 point:
- One point is earned for stating that the price of bonds will increase.

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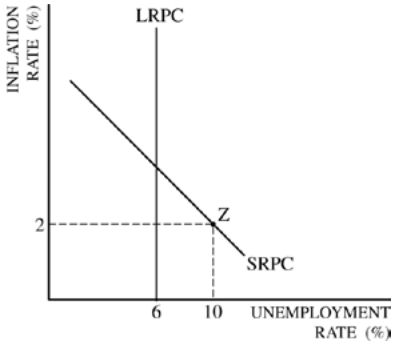
Question 3

5 points (1+2+1+1)

(a) 1 point:

- One point is earned for calculating the unemployment rate(UR):
  UR = Number of unemployed/Labor force = 80/800 = 10%.



(b) 2 points:

- One point is earned for correctly labeled graph of the Phillips curve, a downward-sloping short-run, and a vertical long-run Phillips curve
- One point is earned for showing point Z on the short-run Phillips curve at the coordinates (10, 2).

(c) 1 point:

- One point is earned for stating that the SRAS curve will shift to the right and for explaining that input costs will fall in the long run. (Note: Stating that inflationary expectation will decrease is acceptable).

(d) 1 point:

- One point is earned for stating that there is no cyclical unemployment.

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Scoring Worksheet

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

2014 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 9)	× 1.6666 =	_____ (Do not round)
Question 2	_____ (out of 5)	× 1.5000 =	_____ (Do not round)
Question 3	_____ (out of 5)	× 1.5000 =	_____ (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
72-90	5
59-71	4
50-58	3
39-49	2
0-38	1

AP Macroeconomics

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