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# AP Macroeconomics

## Practice Exam

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Note: This publication shows the page numbers that appeared in the **2017–18 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 **2017–18 AP Exam Instructions** book.

# AP Macroeconomics Exam

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**Regularly Scheduled Exam Date:** Wednesday afternoon, May 16, 2018

**Late-Testing Exam Date:** Friday afternoon, May 25, 2018

# AP Microeconomics Exam

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**Regularly Scheduled Exam Date:** Friday morning, May 18, 2018

**Late-Testing Exam Date:** Wednesday morning, May 23, 2018

<b>Section I</b>	<b>Total Time:</b> 1 hour and 10 minutes Calculator not permitted <b>Number of Questions:</b> 60 <i>(The number of questions may vary slightly depending on the form of the exam.)</i> <b>Percent of Total Score:</b> 66.67% <b>Writing Instrument:</b> Pencil required
<b>Section II</b>	<b>Total Time:</b> 1 hour <i>(10-minute reading period, 50-minute writing period)</i> Calculator not permitted <b>Number of Questions:</b> 3 required free-response questions <b>Percent of Total Score:</b> 33.33% <b>Writing Instrument:</b> Pen with black or dark blue ink

## What Proctors Need to Bring to This Exam

- Exam packets
- Answer sheets
- AP Student Packs
- 2017-18 AP Coordinator's Manual*
- This book—*2017-18 AP Exam Instructions*
- AP Exam Seating Chart template
- School Code and Homeschool/Self-Study Codes
- Pencil sharpener
- Container for students' electronic devices (if needed)
- 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 during the test administration, including breaks”

## Macroeconomics

**Before Distributing Exams:** Check that the title on exam covers is *Macroeconomics*, and is printed in **blue** on the Section I exam booklet covers. (On any large-type or photo-enlarged exams, the exam title will be printed in black.) If there are any exam booklets with a different title, contact the AP coordinator immediately.

## Microeconomics

**Before Distributing Exams:** Check that the title on all exam covers is *Microeconomics*, and is printed in **black**. If there are any exam booklets with a different title, contact the AP coordinator immediately.

## 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. Remember, you must complete a seating chart for this exam. See pages 303–304 for a seating chart template and instructions. See the *2017-18 AP Coordinator's Manual* for exam seating requirements (pages 55–58).

### Macroeconomics

**If you are giving the regularly scheduled exam, say:**

It is Wednesday afternoon, May 16, and you will be taking the AP Macroeconomics Exam.

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

It is Friday afternoon, May 25, and you will be taking the AP Macroeconomics Exam.

### Microeconomics

**If you are giving the regularly scheduled exam, say:**

It is Friday morning, May 18, and you will be taking the AP Microeconomics 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 Microeconomics Exam.

### Macroeconomics

**If you are giving a regular format AP Macroeconomics Exam, say:**

Look at your exam packet and confirm that the exam title is "AP Macroeconomics," and is printed in blue on the Section I booklet cover. Raise your hand if your exam packet contains any title other than "AP Macroeconomics," and I will help you.

**If you are giving a large-type or photo-enlarged AP Macroeconomics Exam, say:**

Look at your exam packet and confirm that the exam title is "AP Macroeconomics," and is printed in black. Raise your hand if your exam packet contains any title other than "AP Macroeconomics," and I will help you.

### Microeconomics

**Say:**

Look at your exam packet and confirm that the exam title is "AP Microeconomics," and is printed in black. Raise your hand if your exam packet contains any title other than "AP Microeconomics," and I will help you.

Once you confirm that all students have the correct exam, say:

**In a moment, you will open the exam packet. By opening this packet, you agree to all of the AP Program’s policies and procedures outlined in the 2017-18 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. Place it on page 1 of your answer sheet on the light blue box near the top right 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 can still be processed correctly.

**Listen carefully to all my instructions. I will give you time to complete each step. Please look up after completing each step. Raise your hand if you have any questions.**

Give students enough time to complete each step. Don’t move on until all students are ready.

**Read the statements on the front cover of the Section I booklet. . . .**

**Sign your name and write today’s date. . . .**

**Now print your full legal name where indicated. . . .**

**Turn to the back cover of your exam booklet and read it completely. . . .**

**Are there any questions? . . .**

**You will now take the multiple-choice portion of the exam. You should have in front of you the multiple-choice booklet and your answer sheet. You may never discuss the multiple-choice exam content at any time in any form with anyone, including your teacher and other students. If you disclose the multiple-choice exam content through any means, your AP Exam score will be canceled.**

**Open your answer sheet to page 2. 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 \_\_\_\_\_ . Note Stop Time \_\_\_\_\_ .**

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, say:**

**There are 10 minutes remaining.**

**After 10 minutes, say:**

**Stop working. Close your booklet and put your answer sheet on your desk, faceup. Make sure you have your AP number label and an AP Exam label on page 1 of your answer sheet. Sit quietly while I collect your answer sheets.**

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

**After all answer sheets have been collected, say:**

**Now you must seal your exam booklet using the white seals you set aside earlier. 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, faceup. 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. All items you placed under your chair at the beginning of this exam must stay there, and you are not permitted to open or access them in any way. Leave your shrinkwrapped Section II packet on your desk during the break. You are not allowed to consult teachers, other students, notes, or textbooks 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 may never discuss the multiple-choice exam content with anyone, and if you disclose the content through any means, your AP Exam score will be canceled. Are there any questions? . . .**



You may begin your break. Testing will resume at \_\_\_\_\_ .

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## 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 take an AP number label from your Student Pack and place it 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, using your pen, complete Item 1 under “Important Identification Information.” Print the first two letters of your last name and the first letter of your first 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? . . .**

**If this is your last AP Exam, you may keep your Student Pack. Place it under your chair for now. Otherwise I will collect all Student Packs. . . .**

**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? . . .**

**The total Section II time is 1 hour. This includes a 10-minute reading period. The reading period is designed to provide you with time to develop thoughtful, well-organized responses. You are advised to take advantage of the reading period to plan what you will write. You may begin writing your exam responses before the reading period is over. You may make notes on page 3 and the pages that contain the exam questions, but your responses must be written on the designated lined pages. Are there any questions? . . .**

**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 to complete your responses, raise your hand. At the top of each extra sheet of paper you use, write only:**

- your AP number, and
- the question number you are working on.

**Make sure to begin your response on the lined page directly following the first appearance of the question and continue your response on the additional lined pages that follow. Remember to write your answers on the lined pages provided for each question; only responses written on the lined pages will be scored.**

**You may now open the Section II booklet and begin the 10-minute reading period.**



**Note Start Time \_\_\_\_\_ . Note Stop Time \_\_\_\_\_ .**

**After 10 minutes, say:**

**The reading period is over. You have 50 minutes remaining to complete Section II.**



**Note Start Time \_\_\_\_\_ . Note Stop Time \_\_\_\_\_ .**

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, faceup. . . .**

If any students used extra paper for a question in the free-response section, have those students staple the extra sheet(s) to the first page corresponding to that question in their exam booklets. Complete an Incident Report after the exam (see page 67 of the *2017-18 AP Coordinator's Manual* for complete details).

**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 their 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 the free-response exam content with anyone unless it is released on the College Board website in about two days. Your AP Exam score results will be available online in July.**

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

**None of the content in this exam may ever be discussed or shared in any way at any time. Your AP Exam 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.**

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## After-Exam Tasks

Be sure to give the completed seating chart to the AP coordinator. Schools must retain seating charts for at least six months (unless the state or district requires that they be retained for a longer period of time). Schools should not return any seating charts in their exam shipments unless they are required as part of an Incident Report.

**NOTE:** If you administered exams to students with accommodations, review the *2017-18 AP Coordinator’s Manual* and the *2017-18 AP SSD Guidelines* for information about completing the NAR form, and returning these exams.

The exam proctor should complete the following tasks if asked to do so by the AP coordinator. Otherwise, the AP coordinator must complete these tasks:

- Complete an Incident Report for any students who used extra paper for the free-response section. (Incident Report forms are provided in the coordinator packets sent with the exam shipments.) **These forms must be completed with a No. 2 pencil.** It is best to complete a single Incident Report for multiple students per exam subject, per administration (regular or late testing), as long as all required information is provided. Include all exam booklets with extra sheets of paper in an Incident Report return envelope (see page 67 of the *2017-18 AP Coordinator’s Manual* for complete details).
- Return all exam materials to secure storage until they are shipped back to the AP Program. (See page 26 of the *2017-18 AP Coordinator’s Manual* for more information about secure storage.) 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 *2017-18 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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## **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.)





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)
- 77 (A) (B) (C) (D) (E)
- 78 (A) (B) (C) (D) (E)
- 79 (A) (B) (C) (D) (E)
- 80 (A) (B) (C) (D) (E)
- 81 (A) (B) (C) (D) (E)
- 82 (A) (B) (C) (D) (E)
- 83 (A) (B) (C) (D) (E)
- 84 (A) (B) (C) (D) (E)
- 85 (A) (B) (C) (D) (E)
- 86 (A) (B) (C) (D) (E)
- 87 (A) (B) (C) (D) (E)
- 88 (A) (B) (C) (D) (E)
- 89 (A) (B) (C) (D) (E)
- 90 (A) (B) (C) (D) (E)

- 91 (A) (B) (C) (D) (E)
- 92 (A) (B) (C) (D) (E)
- 93 (A) (B) (C) (D) (E)
- 94 (A) (B) (C) (D) (E)
- 95 (A) (B) (C) (D) (E)
- 96 (A) (B) (C) (D) (E)
- 97 (A) (B) (C) (D) (E)
- 98 (A) (B) (C) (D) (E)
- 99 (A) (B) (C) (D) (E)
- 100 (A) (B) (C) (D) (E)
- 101 (A) (B) (C) (D) (E)
- 102 (A) (B) (C) (D) (E)
- 103 (A) (B) (C) (D) (E)
- 104 (A) (B) (C) (D) (E)
- 105 (A) (B) (C) (D) (E)

- 106 (A) (B) (C) (D) (E)
- 107 (A) (B) (C) (D) (E)
- 108 (A) (B) (C) (D) (E)
- 109 (A) (B) (C) (D) (E)
- 110 (A) (B) (C) (D) (E)
- 111 (A) (B) (C) (D) (E)
- 112 (A) (B) (C) (D) (E)
- 113 (A) (B) (C) (D) (E)
- 114 (A) (B) (C) (D) (E)
- 115 (A) (B) (C) (D) (E)
- 116 (A) (B) (C) (D) (E)
- 117 (A) (B) (C) (D) (E)
- 118 (A) (B) (C) (D) (E)
- 119 (A) (B) (C) (D) (E)
- 120 (A) (B) (C) (D) (E)

QUESTIONS 121–126

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

	/	/	/		
-	.	.	.	.	.
	0	0	0	0	0
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9

122

	/	/	/		
-	.	.	.	.	.
	0	0	0	0	0
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9

123

	/	/	/		
-	.	.	.	.	.
	0	0	0	0	0
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9

124

	/	/	/		
-	.	.	.	.	.
	0	0	0	0	0
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9

125

	/	/	/		
-	.	.	.	.	.
	0	0	0	0	0
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9

126

	/	/	/		
-	.	.	.	.	.
	0	0	0	0	0
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9

QUESTIONS 131–142

For Students Taking AP Computer Science Principles, AP Physics 1, or AP Physics 2

Mark two responses per question. You will receive credit only if both correct responses are selected.

- 131 (A) (B) (C) (D)
- 132 (A) (B) (C) (D)
- 133 (A) (B) (C) (D)
- 134 (A) (B) (C) (D)

- 135 (A) (B) (C) (D)
- 136 (A) (B) (C) (D)
- 137 (A) (B) (C) (D)
- 138 (A) (B) (C) (D)

- 139 (A) (B) (C) (D)
- 140 (A) (B) (C) (D)
- 141 (A) (B) (C) (D)
- 142 (A) (B) (C) (D)



DO NOT WRITE IN THIS AREA



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## **Section I: Multiple-Choice Questions**

This is the multiple-choice section of the 2018 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<sup>®</sup> Macroeconomics Exam

## SECTION I: Multiple Choice

2018

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

### At a Glance

**Total Time**

1 hour and 10 minutes

**Number of Questions**

60

**Percent of Total Score**

66.67%

**Writing Instrument**

Pencil required

**Electronic Device**

None allowed

### 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) ● (C) (D) (E)  
(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.

Form I  
Form Code 4OBP4-S

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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—1 hour and 10 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.

- Which of the following typically occurs during an expansionary phase of a business cycle?
  - Nominal interest rates decrease.
  - Income taxes decrease.
  - The price level decreases.
  - Government transfer payments increase.
  - Employment increases.
- Economic growth refers to an increase in which of the following?
  - Government spending
  - Consumption spending
  - Nominal gross domestic product
  - Potential real gross domestic product
  - Household wealth
- If both the nominal interest rate and the expected inflation rate increase, what will happen to the real interest rate?
  - It will increase because the expected inflation rate has increased.
  - It will increase because the nominal interest rate has increased.
  - It will increase if the expected inflation rate increases by more than the nominal interest rate.
  - It will decrease because the nominal interest rate has increased.
  - It will decrease if the expected inflation rate increases by more than the nominal interest rate.
- Which of the following statements is true about an expansionary fiscal policy?
  - It decreases demand for loanable funds.
  - It decreases the equilibrium price level.
  - It decreases the equilibrium real interest rate.
  - It increases aggregate demand.
  - It increases the money supply.
- Which of the following will most likely result from deflation?
  - Increased nominal interest rates
  - Increased business profits
  - Increased real value of fixed incomes
  - Decreased purchasing power of cash
  - Decreased real wealth
- Which of the following is a defining characteristic of a fractional reserve banking system?
  - The existence of a central bank with a monopoly on money creation
  - The use of paper money backed by a commodity such as gold or silver
  - The fact that banks retain an amount of bank reserves that is less than the amount of customer demand deposits
  - The requirement that banks maintain a certain percentage of their reserves as a deposit in an account at the central bank
  - The regulations that separate investment banking from commercial banking
- A negative aggregate supply shock will result in which of the following in the short run?
  - An increase in the price level and a decrease in the unemployment rate
  - A decrease in the price level and an increase in the unemployment rate
  - A decrease in both the price level and real output
  - An increase in both the price level and real output
  - An increase in both the price level and the unemployment rate

8. Which of the following combinations of fiscal and monetary policies will correct a severe recession?
- (A) Increasing income tax rates and decreasing the money supply
  - (B) Increasing both the income tax rates and the money supply
  - (C) Decreasing both the income tax rates and the money supply
  - (D) Decreasing income tax rates and increasing the money supply
  - (E) Decreasing income tax rates and increasing the federal funds rate
9. Which of the following would decrease the United States net exports to South Korea?
- (A) South Korean computer companies sell more computers to the United States.
  - (B) South Korean insurance companies provide fewer services to the United States.
  - (C) South Koreans spend more vacations in the United States.
  - (D) United States banks provide more banking services to South Korea.
  - (E) United States smartphone companies sell more smartphones to South Korea.
10. An increase in the purchases of newly constructed houses will result in which of the following?
- (A) Aggregate demand will decrease as a result of a decrease in the price level.
  - (B) Aggregate demand will increase as a result of an increase in investment spending.
  - (C) Aggregate demand will increase as a result of an increase in exports.
  - (D) Aggregate demand will not change, since consumer spending has not changed.
  - (E) Aggregate demand will not change, since investment spending has not changed.
11. Suppose that a country's nominal gross domestic product (GDP) was \$1,000 in year 1 and \$2,000 in year 2. If year 1 is the base year and real GDP in year 2 was \$1,000, which of the following is true?
- (A) Prices fell by 50% between year 1 and year 2.
  - (B) Prices doubled between year 1 and year 2.
  - (C) Prices remained the same between year 1 and year 2.
  - (D) More goods and services were produced in year 2 than in year 1.
  - (E) Fewer goods and services were produced in year 2 than in year 1.
12. To decrease the money supply, a country's central bank can do which of the following?
- (A) Sell government bonds.
  - (B) Decrease the discount rate.
  - (C) Decrease the required reserve ratio.
  - (D) Increase taxes.
  - (E) Increase government spending.
13. Which of the following types of unemployment is caused by a recession?
- (A) Hidden
  - (B) Frictional
  - (C) Seasonal
  - (D) Structural
  - (E) Cyclical
14. If the United States government increases deficit spending, which of the following will occur as a result of the change in the interest rate?
- (A) The United States dollar will appreciate in foreign exchange markets.
  - (B) Household savings in the United States will decrease.
  - (C) The United States exports will increase.
  - (D) The demand for United States dollars will decrease.
  - (E) Private investment in plant and equipment in the United States will increase.

15. In the short run, a reduction in the money supply will cause
- (A) a rightward shift in the aggregate demand curve
  - (B) a leftward shift in the aggregate demand curve
  - (C) a rightward shift in the aggregate supply curve
  - (D) a leftward shift in the aggregate supply curve
  - (E) a movement along the aggregate demand curve

16. How will an increase in demand and a simultaneous decrease in supply affect the equilibrium price and quantity of a good in a market?

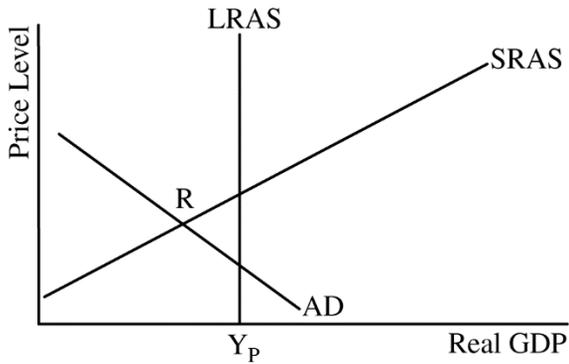
<u>Price</u>	<u>Quantity</u>
(A) Increase	Increase
(B) Increase	Indeterminate
(C) Decrease	Increase
(D) Decrease	Indeterminate
(E) Indeterminate	Indeterminate

17. An increase in government spending financed by increased borrowing will most likely change the real interest rate and the gross private domestic investment in which of the following ways?

<u>Real Interest Rate</u>	<u>Gross Private Domestic Investment</u>
(A) No change	No change
(B) Decrease	Increase
(C) Decrease	Decrease
(D) Increase	Decrease
(E) Increase	Increase

18. If real interest rates in the United States fall relative to real interest rates in Great Britain, which of the following will occur?

- (A) British investors will buy more United States securities.
- (B) British exports to the United States will increase.
- (C) The supply of dollars will decrease.
- (D) United States investors' demand for British pounds will decrease.
- (E) The British pound will appreciate relative to the dollar.



19. A country's economy is currently in equilibrium at point R. Which of the following policy actions could the country's government take to achieve potential output ( $Y_p$ ) ?

- (A) Decreasing the money supply
- (B) Decreasing investment tax credits
- (C) Increasing interest rates
- (D) Increasing government expenditures
- (E) Increasing the minimum wage

	Good X		Good Y	
	Price	Quantity	Price	Quantity
Year 1	\$2	2	\$1	4
Year 2	\$3	2	\$2	4

20. Assume that an economy produces just two goods, X and Y, as shown in the table above. If year 1 is the base year, the consumer price index for year 2 in this economy is

- (A) 57.1
- (B) 66.7
- (C) 100
- (D) 175
- (E) 250

21. Which of the following is LEAST likely to affect the long-run growth of an economy?

- (A) Investment in physical capital
- (B) Research and development
- (C) Education and training
- (D) A specific tax on luxury goods
- (E) Stable and efficient institutions

22. Pat deposits a portion of her wages into a personal savings account every week. The saved money can be considered to be primarily a
- (A) means of payment
  - (B) unit of account
  - (C) store of value
  - (D) measure of value
  - (E) medium of exchange
23. An increase in the number of which of the following will lead to an increase in the unemployment rate?
- (A) Discouraged workers
  - (B) Business start-ups
  - (C) Self-employed persons
  - (D) Persons working 30 instead of 40 hours per week
  - (E) Persons quitting part-time jobs to look for full-time ones
24. An economy experiences a sharp increase in energy prices, and policy makers adopt a stabilization policy to increase aggregate demand. Compared with the initial short-run equilibrium, which of the following will definitely occur?
- (A) Lower level of output
  - (B) Higher level of output
  - (C) Lower price level
  - (D) Higher price level
  - (E) Higher aggregate supply
25. Assume that the marginal propensity to consume is 0.8. If the government increases its purchases of goods and services by \$200 and exports decline by \$50, at most the equilibrium level of income will
- (A) decrease by \$250
  - (B) decrease by \$1,000
  - (C) increase by \$150
  - (D) increase by \$750
  - (E) increase by \$1,250
26. An ongoing increase in the price of oil will result in
- (A) demand-pull inflation
  - (B) cost-push inflation
  - (C) expansionary fiscal policy
  - (D) a decrease in the prices of substitute forms of energy
  - (E) deflation
27. Assume that Country X and Country Y are trading partners. If the average income in Country X increases, which of the following will occur in the foreign exchange market?
- (A) The demand for Country X's currency will increase, and Country X's currency will appreciate.
  - (B) The demand for Country Y's currency will increase, and Country X's currency will depreciate.
  - (C) The demand for Country Y's currency will increase, and Country X's currency will appreciate.
  - (D) The supply of Country X's currency will decrease, and Country X's currency will appreciate.
  - (E) The supply of Country Y's currency will increase, and Country Y's currency will depreciate.

28. Which of the following is a monetary policy aimed at increasing the equilibrium interest rate in the money market?
- (A) Raising taxes
  - (B) Lowering the discount rate
  - (C) Lowering the federal funds rate
  - (D) Selling bonds on the open market
  - (E) Lowering the required reserve ratio
29. Which of the following monetary and fiscal policy mixes will reduce unemployment?
- (A) Buying government bonds in the open market and increasing taxes
  - (B) Buying government bonds in the open market and decreasing taxes
  - (C) Selling government bonds in the open market and increasing government spending
  - (D) Selling government bonds in the open market and decreasing government spending
  - (E) Selling government bonds in the open market and increasing taxes
30. Which of the following is correct according to the circular flow model of an economy?
- (A) Taxes received from the public equal government spending.
  - (B) Imports equal exports.
  - (C) Total spending equals total income.
  - (D) Consumption plus saving equals investment.
  - (E) Saving plus investment equals imports plus exports.
31. If the short-run aggregate supply curve is upward sloping, which of the following will cause inflation?
- (A) An increase in long-run aggregate supply
  - (B) An increase in short-run aggregate supply
  - (C) An increase in aggregate demand
  - (D) A decrease in aggregate demand
  - (E) A decrease in aggregate demand and an increase in aggregate supply
32. Sam and Bill run a leaf raking and lawn mowing business. In one day, Sam can rake 3 lawns or mow 5 lawns whereas Bill can rake 2 lawns or mow 6 lawns. Which of the following correctly describes Sam's and Bill's absolute and comparative advantages?
- (A) Sam has a comparative advantage in raking and an absolute advantage in mowing.
  - (B) Sam has a comparative advantage in mowing and an absolute advantage in raking.
  - (C) Sam has a comparative advantage in mowing and an absolute advantage in mowing.
  - (D) Bill has a comparative advantage in mowing and an absolute advantage in mowing.
  - (E) Bill has a comparative advantage in raking and an absolute advantage in mowing.
33. People who have given up looking for jobs are classified as
- (A) cyclically unemployed
  - (B) frictionally unemployed
  - (C) structurally unemployed
  - (D) discouraged workers
  - (E) underemployed workers
34. Banks expand the money supply when
- (A) issuing credit cards
  - (B) printing money
  - (C) cashing checks
  - (D) making loans
  - (E) accepting deposits
35. The economy is currently in long-run equilibrium. If the central bank increases the money supply, in the long run the price level will
- (A) increase, and output will remain at the full-employment level
  - (B) increase, and output will be above the full-employment level
  - (C) increase, and output will be below the full-employment level
  - (D) remain unchanged, and output will remain at the full-employment level
  - (E) remain unchanged, and output will be above the full-employment level

36. The crowding out effect of government spending will be large if
- (A) investment is highly sensitive to changes in the interest rate
  - (B) consumption is highly sensitive to changes in wealth
  - (C) money demand is highly insensitive to changes in income
  - (D) it takes a long time for changes in government spending to cause a change in equilibrium income
  - (E) the long-run aggregate supply curve is horizontal

37. When the United States dollar appreciates against the euro, which of the following will most likely happen?
- (A) European firms will pay fewer euros for equipment purchased from the United States.
  - (B) European products will become more expensive for United States consumers.
  - (C) United States tourists will pay fewer dollars for trips to Europe.
  - (D) The European trade deficit will increase.
  - (E) The United States trade deficit will decrease.

38. Which of the following will occur in the money market when the aggregate price level increases?
- (A) The money supply will increase and nominal interest rates will decrease.
  - (B) The demand for money will increase and nominal interest rates will decrease.
  - (C) The demand for money will increase and nominal interest rates will increase.
  - (D) The demand for money will decrease and nominal interest rates will decrease.
  - (E) The opportunity cost of holding money will decrease.

39. Increases in government subsidies to encourage investment in research and development will affect aggregate demand (AD) and long-run aggregate supply (LRAS) in which of the following ways?

<u>AD</u>	<u>LRAS</u>
-----------	-------------

- |              |           |
|--------------|-----------|
| (A) Increase | Increase  |
| (B) Increase | Decrease  |
| (C) Increase | No change |
| (D) Decrease | Increase  |
| (E) Decrease | No change |

40. If an automobile was manufactured in 2006 and sold to a consumer in 2007, what was the effect on gross domestic product in 2006 and 2007?

<u>2006</u>	<u>2007</u>
-------------	-------------

- |               |           |
|---------------|-----------|
| (A) No change | Increase  |
| (B) Decrease  | Increase  |
| (C) Increase  | No change |
| (D) Increase  | Decrease  |
| (E) No change | No change |

41. If the government implements an expansionary fiscal policy, how will real gross domestic product (GDP) and the price level be affected in the short run?

<u>Real GDP</u>	<u>Price Level</u>
-----------------	--------------------

- |               |           |
|---------------|-----------|
| (A) Increase  | Decrease  |
| (B) Decrease  | No change |
| (C) No change | Increase  |
| (D) Increase  | Increase  |
| (E) Decrease  | Decrease  |

42. Which of the following will most likely contribute to long-run economic growth?

- (A) High levels of household spending
- (B) High levels of government spending
- (C) High levels of investment in plant and equipment
- (D) Low levels of immigration to the country
- (E) Low levels of foreign investment in the country

43. Which of the following is true when interest rates rise?
- (A) The opportunity cost of holding cash decreases.
  - (B) The opportunity cost of holding cash increases.
  - (C) The opportunity cost of holding cash stays the same.
  - (D) The money demand curve shifts to the right.
  - (E) The money supply curve shifts to the right.

44. Which of the following is an example of fiscal policy?

- (A) Decreasing income tax rates
- (B) Increasing the money supply
- (C) Decreasing the discount rate
- (D) Selling government bonds
- (E) Decreasing the required reserve ratio

45. All of the following explain why prices and wages are sticky EXCEPT

- (A) menu costs experienced by firms
- (B) efficiency wages paid to labor
- (C) misperceptions about relative prices by suppliers
- (D) competition in the business sector
- (E) labor contracts covering multiple years

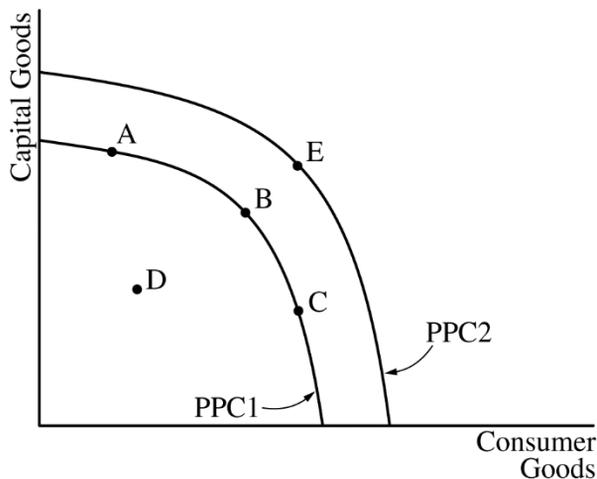
Total Population	300
Working-age Population	200
Unemployed	10
Employed	90

46. The table above gives population and labor-market data for an economy. The unemployment rate in this economy is

- (A) 3.3%
- (B) 5%
- (C) 10%
- (D) 33.3%
- (E) 50%

47. In the short run, how would a government's budget deficit, national debt, and real output change if government spending increases with no change in taxes?

	<u>Deficit</u>	<u>Debt</u>	<u>Real Output</u>
(A)	Increase	Increase	Decrease
(B)	Increase	Decrease	Increase
(C)	Increase	Increase	Increase
(D)	Decrease	Decrease	Increase
(E)	Decrease	Increase	Decrease



48. The graph above shows the production possibilities curves (PPC) for an economy. The concept of opportunity cost is best represented by which of the following?

- (A) A shift from PPC1 to PPC2
- (B) A movement from point A to point D
- (C) A movement from point B to point C
- (D) A movement from point C to point E
- (E) A movement from point D to point B

49. If the central bank of Country Z wishes to increase the value of its currency on foreign exchange markets, it can do which of the following?

- (A) Buy the currencies of other countries
- (B) Increase the domestic money supply in Country Z
- (C) Increase the income tax in Country Z
- (D) Raise interest rates in Country Z
- (E) Increase tariffs in Country Z

50. An increase in the expected inflation rate will cause the

- (A) short-run Phillips curve to shift to the left
- (B) short-run Phillips curve to shift to the right
- (C) long-run Phillips curve to shift to the left
- (D) long-run Phillips curve to shift to the right
- (E) actual inflation rate to fall below the expected inflation rate

51. Which of the following is most likely included in gross domestic product?

- (A) Matt gives his secondhand bicycle to his brother.
- (B) Sal paints his own bicycle.
- (C) Ali buys a new bicycle.
- (D) Mike buys a share of stock in a bicycle firm.
- (E) Daniel bikes to school every day.

52. Which of the following is likely to result in an inflow of financial capital to Country Z?

- (A) A decrease in Country Z's government budget deficit
- (B) An increase in personal income tax rates in Country Z
- (C) Increased sales of government bonds by the central bank of Country Z
- (D) An increase in country Z's trade surplus
- (E) Increased political instability in Country Z

53. A bank has \$200 million in demand deposits and \$150 million in reserves. The reserve ratio is 20 percent. What is the maximum amount of loans the bank can make from its reserves?

- (A) \$750 million
- (B) \$150 million
- (C) \$110 million
- (D) \$50 million
- (E) \$40 million

54. Which of the following is true about the Phillips curve?

- (A) A change in aggregate demand does not shift the long-run Phillips curve (LRPC).
- (B) A change in aggregate demand does not cause a movement along the short-run Phillips curve (SRPC).
- (C) The LRPC shows the trade-off between unemployment and inflation but the SRPC does not.
- (D) Changes in expected inflation affect the LRPC only.
- (E) Negative supply shocks affect the LRPC only.

55. When the total amount the government spends equals tax revenues in any given year, which of the following must remain constant?
- (A) The real interest rate
  - (B) The national debt
  - (C) Real gross domestic product
  - (D) The price level
  - (E) The money supply
56. How does the automatic adjustment mechanism move the economy to potential real gross domestic product (GDP) in the long run when current real GDP is above potential GDP?
- (A) Nominal wages fall, shifting the short-run aggregate supply curve to the right.
  - (B) Nominal wages fall, shifting the short-run aggregate supply curve to the left.
  - (C) Nominal wages do not change, shifting the short-run aggregate supply curve to the right.
  - (D) Nominal wages rise, shifting the short-run aggregate supply curve to the right.
  - (E) Nominal wages rise, shifting the short-run aggregate supply curve to the left.
57. Which of the following statements about inflation is true?
- (A) The expected inflation rate is the difference between nominal and real interest rates.
  - (B) Low expected inflation rates lead to high inflation rates.
  - (C) Lenders lose from expected inflation.
  - (D) Lenders gain from unexpected inflation.
  - (E) Workers lose from expected inflation.
58. The opportunity cost of an activity is
- (A) the amount of time spent on the activity
  - (B) the value of the benefit received from performing the activity
  - (C) the value of the forgone benefit of the next best alternative
  - (D) zero if the activity offered no benefits
  - (E) the sum of benefits from all the sacrificed alternatives

59. Increased spending on which of the following contributes most to long-term economic growth?

- (A) Social security and other transfer payments
- (B) New automobiles and homes
- (C) Education and infrastructure
- (D) Imported consumer goods
- (E) Interest payments on national debt

60. If consumers in Canada increase their demand for products that are manufactured in India, which of the following will occur?

- (A) The Indian rupee will depreciate.
- (B) The Canadian dollar will appreciate.
- (C) India's financial capital inflow will increase.
- (D) Canada's financial capital inflow will increase.
- (E) The supply of Canadian dollars will decrease.

**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.**

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**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 2018 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<sup>®</sup> Macroeconomics Exam

## SECTION II: Free Response

2018

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

**Electronic Device**

None allowed

### Reading Period

**Time**

10 minutes. Use this time to read the questions and plan your answers. You may begin writing your responses before the reading period is over.

### 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
4. Unless I check the box below, I grant the College Board the unlimited right to use, reproduce, and publish my free-response materials, both written and oral, for educational research and instructional purposes. My name and the name of my school will not be used in any way in connection with my free-response materials. I understand that I am free to mark "No" with no effect on my score or its reporting.  
No, I do not grant the College Board  these rights.

### 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. You may begin writing your responses before the reading period is over.

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 4OBP4-S

35

**MACROECONOMICS**

**Section II**

**Total Time—1 hour**

**Reading Period—10 minutes**

**Writing Period—50 minutes**

**Directions:** You are advised to spend the first 10 minutes reading all of the questions and planning your answers. You will then have 50 minutes to answer all three of the following questions. You may begin writing your responses before the reading period is over. 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. 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.

**GO ON TO THE NEXT PAGE.**

1. Assume a country's economy is currently in recession.
    - (a) Draw a correctly labeled graph of the long-run aggregate supply, short-run aggregate supply, and aggregate demand curves, and show each of the following.
      - (i) Current real output, labeled  $Y_1$ , and current price level, labeled  $PL_1$
      - (ii) Full employment output, labeled  $Y_f$
    - (b) Identify one action the central bank can take to help the economy recover from the recession.
    - (c) Draw a correctly labeled graph of the money market, and show the impact of the central bank's action identified in part (b) on the nominal interest rate.
    - (d) On your graph for part (a), show the effect of the central bank's action identified in part (b) on real output and the price level.
    - (e) Assume there is an increase in business confidence as a result of the central bank's action.
      - (i) What will happen to the demand for capital goods?
      - (ii) Draw a correctly labeled graph of the loanable funds market, and show the effect of the change identified in part (e)(i) on the real interest rate.
    - (f) Given your answer to part (e), what is the effect on potential real output in the long run? Explain.
- 

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.



**Question 1 is reprinted for your convenience.**

1. Assume a country's economy is currently in recession.
  - (a) Draw a correctly labeled graph of the long-run aggregate supply, short-run aggregate supply, and aggregate demand curves, and show each of the following.
    - (i) Current real output, labeled  $Y_1$ , and current price level, labeled  $PL_1$
    - (ii) Full employment output, labeled  $Y_f$
  - (b) Identify one action the central bank can take to help the economy recover from the recession.
  - (c) Draw a correctly labeled graph of the money market, and show the impact of the central bank's action identified in part (b) on the nominal interest rate.
  - (d) On your graph for part (a), show the effect of the central bank's action identified in part (b) on real output and the price level.
  - (e) Assume there is an increase in business confidence as a result of the central bank's action.
    - (i) What will happen to the demand for capital goods?
    - (ii) Draw a correctly labeled graph of the loanable funds market, and show the effect of the change identified in part (e)(i) on the real interest rate.
  - (f) Given your answer to part (e), what is the effect on potential real output in the long run? Explain.

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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.







2. The exchange rate between the Australian dollar and the Indian rupee is determined in a flexible foreign exchange market.
- (a) Assume India is currently in recession. What fiscal policy action could the Indian government take to eliminate the recession?
  - (b) What would be the effect of the fiscal policy action identified in part (a) on interest rates in India?
  - (c) Draw a correctly labeled graph of the foreign exchange market for the Australian dollar. Show on your graph the impact of the change in interest rates identified in part (b) on each of the following.
    - (i) The supply of Australian dollars
    - (ii) The equilibrium exchange rate of the Australian dollar
  - (d) What would be the effect of the change in the exchange rate identified in part (c)(ii) on Australian exports?
  - (e) What would be the effect of the change in Australian exports identified in part (d) on Australian unemployment?
- 

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.







3. Gross domestic product (GDP), unemployment, inflation, and economic growth are key measures of a country's economic performance.

The following statistics are from the country of Pattiland in 2016; dollar values are measured in 2016 dollars.

Consumption	\$90
Investment	\$65
Exports	\$25
Imports	\$50
Government spending	\$50
Taxes	\$20

Population	50
Labor force	25
Employed	20

GDP deflator (2016)	90
---------------------	----

- (a) Calculate each of the following and show your work.
- (i) Nominal GDP
  - (ii) Real GDP
  - (iii) Real GDP per capita
- (b) Debbie is a citizen of the country of Wayland and owns a computer software firm in Pattiland. Is the output produced by Debbie's computer software firm included in Pattiland's nominal GDP calculated in part (a) ? Explain.
- (c) The GDP deflator for Pattiland in 2015 was 110. In 2016 was Pattiland experiencing inflation or deflation, or is there insufficient information to determine Pattiland's economic condition? Explain.
- (d) Calculate the unemployment rate in Pattiland.

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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.







**STOP**

**END OF EXAM**

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**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 ON THE FRONT COVER.**
- **MAKE SURE YOU HAVE USED THE SAME SET OF AP NUMBER LABELS ON ALL AP EXAMS YOU HAVE TAKEN THIS YEAR.**

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

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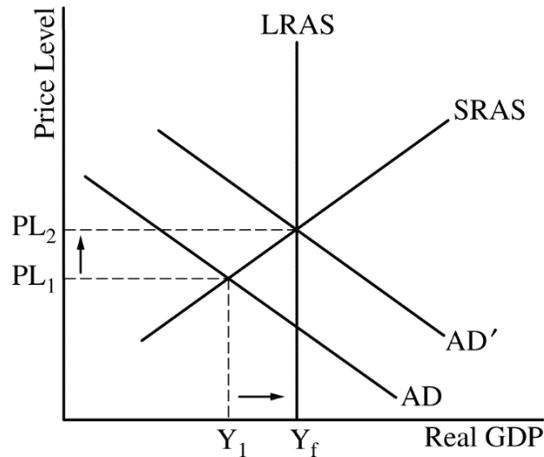
## **Free-Response Scoring Guidelines**

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

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2018 SCORING GUIDELINES**

**Question 1**

**10 points** (2, 1, 2, 1, 3, 1)



(a) 2 points:

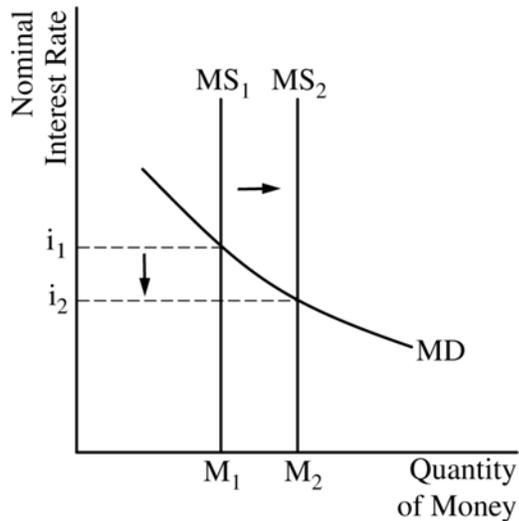
- One point is earned for drawing a correctly labeled graph for AD and SRAS, showing  $PL_1$  and  $Y_1$  at the intersection of AD and SRAS.
- One point is earned for drawing a vertical LRAS curve at  $Y_f$  to the right of  $Y_1$ .

(b) 1 point:

- One point is earned for stating that the central bank can buy bonds, decrease the discount rate, or decrease the required reserve ratio to help the economy recover from the recession.

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**Question 1 (continued)**



(c) 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 in the money supply curve and showing a decrease in the nominal interest rate.

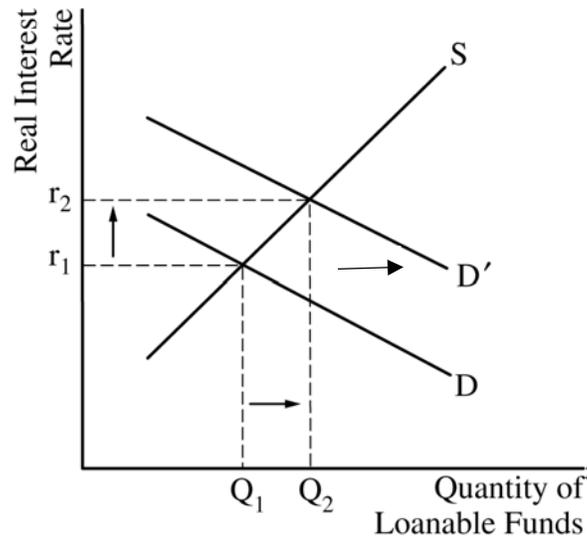
(d) 1 point:

- One point is earned for showing a rightward shift in the aggregate demand curve and for showing an increase in real output and price level.

Note: The rightward shift in AD does not have to eliminate the output gap. It can be above, at, or below the full-employment output. (See graph in part (a) for the shift of AD).

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**Question 1 (continued)**



(e) 3 points:

- One point is earned for stating that the demand for capital goods increases.
- One point is earned for drawing a correctly labeled graph of the loanable funds market.
- One point is earned for showing a rightward shift in the demand for loanable funds curve and an increase in the real interest rate.

(f) 1 point:

- One point is earned for stating that potential real output will increase and for explaining that capital accumulation will increase, causing the long-run aggregate supply (LRAS) curve to shift to the right.

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## Question 2

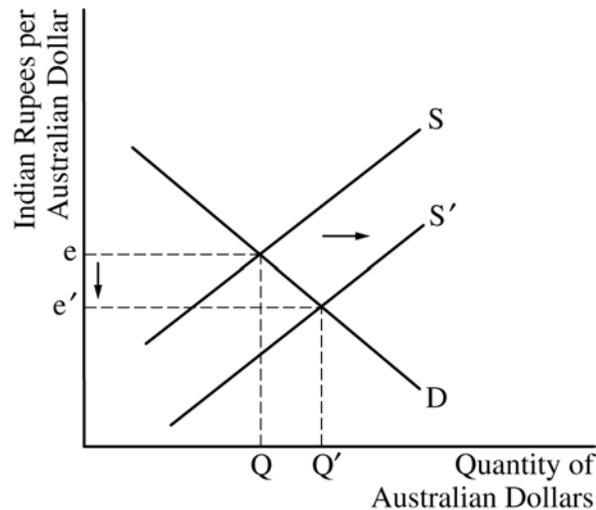
6 Points (1, 1, 2, 1, 1)

(a) 1 point:

- One point is earned for stating that the government should either increase its expenditures (or purchases) or decrease taxes.

(b) 1 point

- One point is earned for stating that interest rates will increase.



(c) 2 points:

- One point is earned for drawing a correctly labeled graph of the foreign exchange market of the Australian dollar.
- One point is earned for showing a rightward shift in the supply curve for Australian dollars and a depreciation in the Australian dollar.

(d) 1 point:

- One point is earned for stating that Australian exports will increase.

(e) 1 point:

- One point is earned for stating that Australian unemployment decreases.

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**Question 3**

**6 Points** (3, 1, 1, 1)

(a) 3 points:

- One point is earned for correctly calculating nominal GDP as \$180 ( $\$90 + \$65 + \$50 + \$25 - \$50$ ).
- One point is earned for correctly calculating real GDP as \$200 ( $\$180/90 \times 100$ ).
- One point for correctly calculating real GDP per capita as \$4 ( $\$200/50$ ).

(b) 1 point:

- One point is earned for stating that the output produced by Debbie’s computer software firm will be included in Pattiland’s nominal GDP and for explaining that GDP includes all domestically produced final goods and services.

(c) 1 point:

- One point is earned for stating that Pattiland is experiencing deflation and for explaining the GDP deflator in 2016 is less than in 2015, or the GDP deflator fell from 110 to 90 between 2015 and 2016 indicating falling prices (deflation).

(d) 1 point:

- One point is earned for correctly calculating the unemployment rate as 20% ( $5/25 \times 100$ ).

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## **Scoring Worksheet**

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

# 2018 AP Macroeconomics Scoring Worksheet

## Section I: Multiple Choice

$$\frac{\text{Number Correct}}{\text{(out of 60)}} \times 1.0000 = \frac{\text{Weighted Section I Score}}{\text{(Do not round)}}$$

## Section II: Free Response

$$\text{Question 1 } \frac{\text{(out of 10)}}{\text{(out of 10)}} \times 1.5000 = \frac{\text{(Do not round)}}{\text{(Do not round)}}$$

$$\text{Question 2 } \frac{\text{(out of 6)}}{\text{(out of 6)}} \times 1.2500 = \frac{\text{(Do not round)}}{\text{(Do not round)}}$$

$$\text{Question 3 } \frac{\text{(out of 6)}}{\text{(out of 6)}} \times 1.2500 = \frac{\text{(Do not round)}}{\text{(Do not round)}}$$

$$\text{Sum} = \frac{\text{Weighted Section II Score}}{\text{(Do not round)}}$$

## Composite Score

$$\frac{\text{Weighted Section I Score}}{\text{Weighted Section I Score}} + \frac{\text{Weighted Section II Score}}{\text{Weighted Section II Score}} = \frac{\text{Composite Score}}{\text{(Round to nearest whole number)}}$$

AP Score Conversion Chart  
Macroeconomics

Composite Score Range	AP Score
74-90	5
62-73	4
53-61	3
40-52	2
0-39	1

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## **Question Descriptors and Performance Data**

The following contains tables showing the content assessed, the correct answer, and how AP students performed on each question.

# 2018 AP Macroeconomics Question Descriptors and Performance Data

## Multiple-Choice Questions

Question	Topic	Key	% Correct
1	Basic economic concepts	E	73
2	Economic Growth and Productivity	D	50
3	Financial Sector	E	44
4	Inflation\Unemployment and Stabilization Policies	D	66
5	Measurement of economic performance	C	51
6	Financial Sector	C	37
7	National income and price determination	E	63
8	Inflation\Unemployment and Stabilization Policies	D	80
9	Open Economy: International Trade and Finance	A	67
10	National income and price determination	B	83
11	Measurement of economic performance	B	54
12	Financial Sector	A	76
13	Measurement of economic performance	E	80
14	Inflation\Unemployment and Stabilization Policies	A	41
15	National income and price determination	B	58
16	Basic economic concepts	B	78
17	Financial Sector	D	51
18	Open Economy: International Trade and Finance	E	57
19	Inflation\Unemployment and Stabilization Policies	D	74
20	Measurement of economic performance	D	41
21	Economic Growth and Productivity	D	84
22	Financial Sector	C	69
23	Measurement of economic performance	E	66
24	Inflation\Unemployment and Stabilization Policies	D	58
25	National income and price determination	D	54
26	Inflation\Unemployment and Stabilization Policies	B	73
27	Open Economy: International Trade and Finance	B	48
28	Financial Sector	D	63
29	Inflation\Unemployment and Stabilization Policies	B	71
30	Measurement of economic performance	C	29
31	National income and price determination	C	66
32	Basic economic concepts	D	62
33	Measurement of economic performance	D	88
34	Financial Sector	D	60
35	Inflation\Unemployment and Stabilization Policies	A	35
36	National income and price determination	A	66
37	Open Economy: International Trade and Finance	C	67
38	Financial Sector	C	56

## 2018 AP Macroeconomics Question Descriptors and Performance Data

Question	Topic	Key	% Correct
39	Inflation\Unemployment and Stabilization Policies	A	60
40	Measurement of economic performance	C	44
41	National income and price determination	D	69
42	Economic Growth and Productivity	C	71
43	Financial Sector	B	57
44	Inflation\Unemployment and Stabilization Policies	A	77
45	National income and price determination	D	24
46	Measurement of economic performance	C	41
47	Inflation\Unemployment and Stabilization Policies	C	68
48	Basic economic concepts	C	80
49	Open Economy: International Trade and Finance	D	64
50	Inflation\Unemployment and Stabilization Policies	B	51
51	Measurement of economic performance	C	89
52	Open Economy: International Trade and Finance	C	33
53	Financial Sector	C	53
54	Inflation\Unemployment and Stabilization Policies	A	65
55	Inflation\Unemployment and Stabilization Policies	B	60
56	National income and price determination	E	36
57	Inflation\Unemployment and Stabilization Policies	A	41
58	Basic economic concepts	C	69
59	Economic Growth and Productivity	C	80
60	Open Economy: International Trade and Finance	D	12

# AP Macroeconomics

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## **The College Board**

The College Board is a mission-driven not-for-profit organization that connects students to college success and opportunity. Founded in 1900, the College Board was created to expand access to higher education. Today, the membership association is made up of over 6,000 of the world's leading educational institutions and is dedicated to promoting excellence and equity in education. Each year, the College Board helps more than seven million students prepare for a successful transition to college through programs and services in college readiness and college success — including the SAT<sup>®</sup> and the Advanced Placement Program<sup>®</sup>. The organization also serves the education community through research and advocacy on behalf of students, educators, and schools. The College Board is committed to the principles of excellence and equity, and that commitment is embodied in all of its programs, services, activities, and concerns.