

**The 2010
AP Microeconomics /
Macroeconomics Exams**

**Dave Anderson
Chief Reader**

Forbes Top Ten Colleges and Universities in the South

- 1. Centre College**
- 2. Rice University**
- 3. U.S. Naval Academy**
- 4. Washington and Lee University**
- 5. Duke University**
- 6. Vanderbilt University**
- 7. University of Virginia**
- 8. William and Mary**
- 9. Rhodes College**
- 10. Davidson**



Today

- Exam Creation
- Outcomes
- Trouble Spots
- Tips
- Resources
- Discussion

ECONOMIC EDUCATION STATION



Tutorials

Visual Aids

Data

Inspiration

People

Active Learning

Reading Materials

Miscellaneous

Scarce Resources



The AP Macroeconomics Exam



Exam Content

The AP Exams in economics were introduced in 1989. The AP Macroeconomics Exam tests knowledge of topics included in a one-semester introductory college course, including basic economic concepts; measurement of economic performance; national income and price determination; financial sector; inflation, unemployment, and stabilization policies; economic growth and productivity; and open economy. The following table reflects the approximate percentage of the multiple-choice section of the exam devoted to each content area:



More About Macroeconomics...

- [AP Exam Formats](#)
- [AP Macroeconomics Course Home Page](#)

8-12%	basic economic concepts
12-16%	measurement of economic performance
15-20%	financial sector
20-30%	inflation, unemployment, and stabilization policies
10-15%	national income and price determination
5-10%	economic growth and productivity
10-15%	open economy: international trade and finance

The free-response questions in Section II of the exam generally ask students to analyze a given economic situation and present and evaluate general macroeconomic principles. Students are expected to write well-organized and analytical essays and to include explanatory diagrams that clarify their analysis. Students may be required to interpret graphs that are provided as part of the

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AND EXAMS

AP COURSE AUDIT

 PRE-AP 

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GROUPS

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Microeconomics

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Exams

Macroeconomics

76,421 Operational Exams

4,300 Overseas Exams

Microeconomics

44,100 Operational Exams

4,453 Overseas Exams

Mean / Standard Dev. / Max

MICROECONOMICS

1. Perfect Competition	6.02	3.38	10
2. Factor Market	1.60	1.35	5
3. Negative Externality	2.30	1.49	5

MACROECONOMICS

1. AD/AS, Stabilization Policies, Growth	4.75	2.59	10
2. Financial Sector and Monetary Policy	2.65	1.86	6
3. Open Economy/International Finance	2.60	1.60	6

Scores

Macro

5	13.3%	
4	25.3%	
3	15.5%	
2		16.9%
1		29.0%

Micro

5	15.0%
4	26.6%
3	20.6%
2	15.4%
1	22.4%

Top Tips for Teachers

- **Focus on the very important teaching points. Hit them hard, and hit them often.**

“Every course, I teach, I pick out those key and essential concepts/themes, and I hammer them often. Every day, I pick out the key and essential message/concept, and I hit it hard and often. There can only be one, maybe two! Everything else is gravy! Too much gravy will make the meat hard to find!”

Col. Rankin's Focus

For AP Microeconomics, I have chosen:

- Marginal Analysis
- Role of profits in competitive vs. non-competitive markets
- Role of government in correcting market failures

Top 10 Most Common Errors AP Economics

2010

Overview of Trouble Spots

10. The Effect of an Interest Rate Change on the Price Level
 9. AS Curve Shifters and their Effects on Real GDP and the Price Level
 8. Natural Monopoly
 7. Firm Supply and Demand in a Factor Market
 6. The Link between Growth and Capital Formation
 5. Reasons for Exchange Rate Changes
 4. Self Adjustment of Aggregate Supply
 3. The Law of Diminishing Marginal Returns
 2. Correspondence between PPC and AD-AS Model
 1. Deadweight Loss with Externalities
- Special Mention: Axis Labels!

10. Macro 2 (c)

Question: Given the interest rate change [decrease] in part (a), what will happen to the price level in the short run? **Explain.**

10. Macro 2 (c)

Answer: Price level will rise (51% answered correctly—note that guessing would yield 50% correct), because the decrease in the interest rate increases investment/consumption spending, which increases aggregate demand.
(28% answered correctly)

9. Overseas Macro 3 part (b)

Question: How does a technological change that increases the productivity of labor affect real gross domestic product and the price level? **Explain.**

9. Overseas Macro 3 part (b)

Answer: Real GDP will rise and the price level will fall because the increase in labor productivity reduces input costs and causes the short-run aggregate supply curve to shift to the right.

(19 percent answered correctly)

8. Overseas Micro 1 (f)

Question: [For crossings of a bridge to a popular island] suppose the long-run average total cost is strictly downward sloping. Would it be efficient to build a second bridge? **Explain.**

8. Overseas Micro 1 (f)

Answer: No, **because there are economies of scale** / it is a natural monopoly / average cost is lower if everyone crosses one bridge rather than dividing the volume between 2 bridges.

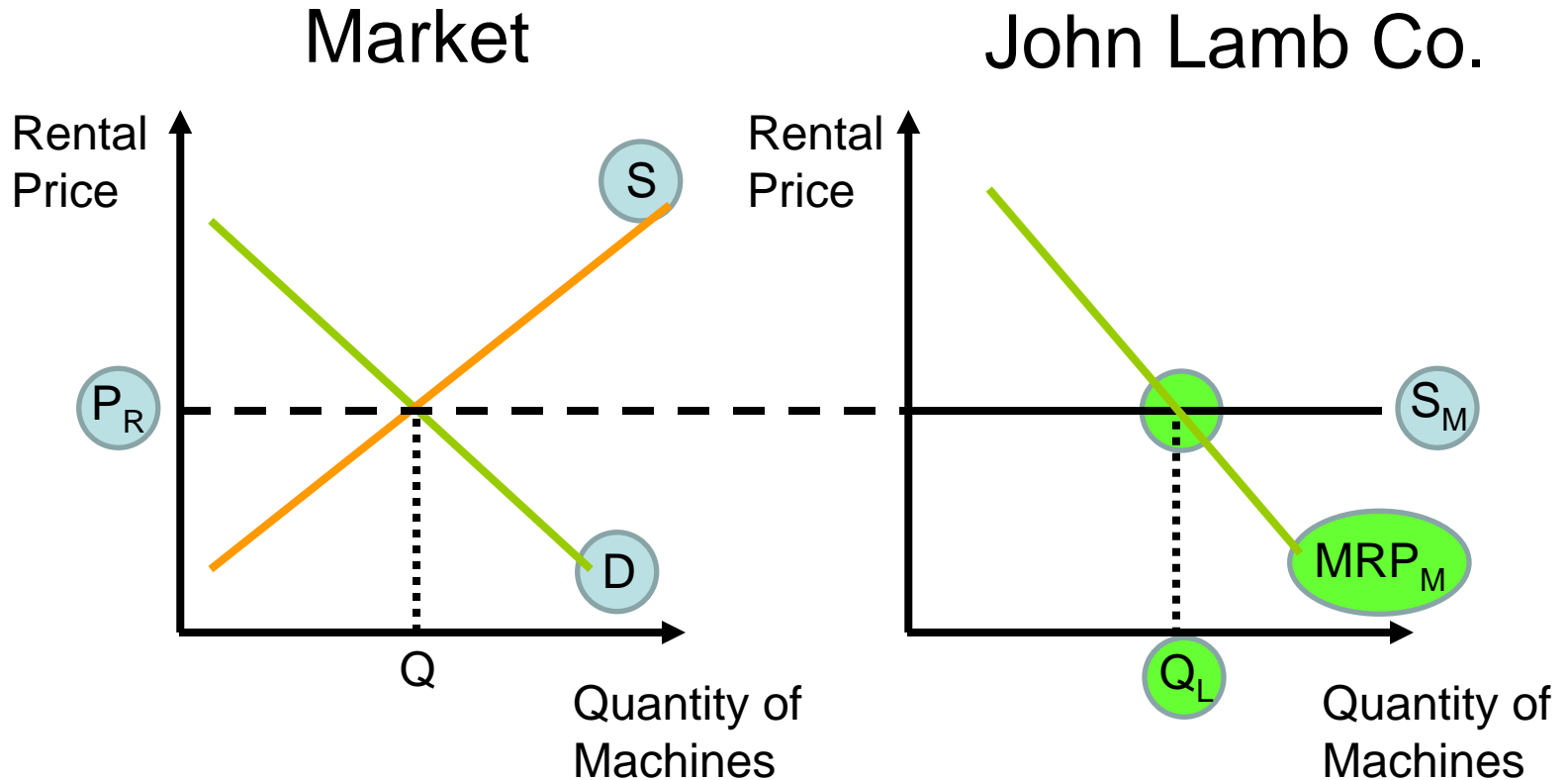
(17% answered correctly)

7. Micro 2 (a)

Question: Using correctly labeled side-by-side graphs of the [perfectly competitive] factor market for machines and the John Lamb Company, show each of the following.

- (i) The equilibrium rental price of machines in the factor market, labeled as P_R
- (ii) John Lamb's equilibrium rental quantity of machines, labeled as Q_L .

Micro 2 (a) Answer



15% answered correctly

25% answered correctly

6. Macro 1 part (e)

Question: Given the change [increase] in the real interest rate in part (d), what is the impact on each of the following?

(i) Investment.

(ii) Economic growth rate. **Explain.**

6. Macro 1 part (e)

Answer:

Investment will decrease.

(67% answered correctly)

The decrease in investment slows capital formation, leading to a reduction in the rate of economic growth.

(13% answered correctly)

5. Macro 3 part (d)

Question: Suppose that the inflation rate is 3 percent in the United States and 5 percent in Argentina. What will happen to the value of the peso relative to the United States dollar as a result of the difference in inflation rates? **Explain.**

5. Macro 3 part (d) cont.

Answer: The peso will depreciate (70 percent answered correctly), because the higher inflation rate in Argentina makes U.S. goods more attractive, increasing the demand for the U.S. dollar (and the supply of the peso).

(12 percent answered correctly)

4. Macro 1 (c)

Question:

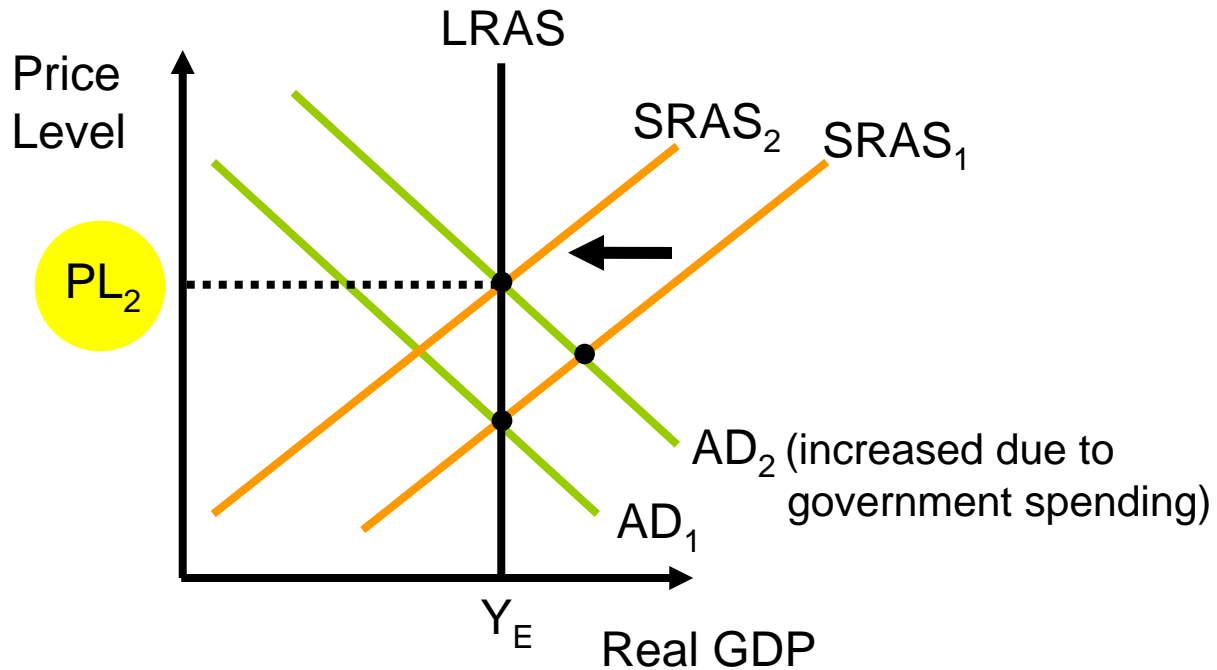
Assume that the economy adjusts to a new long-run equilibrium after the increase in government spending.

- (i) How will the short-run aggregate supply curve in the new long-run equilibrium compare with that in the initial long-run equilibrium in part (a)? **Explain.**
- (ii) On your graph in part (a), label the new long-run equilibrium price level as PL_2 .

4. Macro 1 (c)

Answer:

The aggregate supply curve will decrease (shift to the left).



(27% answered correctly)

4. Macro 1 (c)

Explanation:

The aggregate supply curve will shift to the left because wages and other input prices rise to adjust to the higher price level.

(11% answered correctly)

3. Overseas Micro 2 (b)

Question: Define the law of diminishing marginal returns and **explain** why it occurs.

3. Overseas Micro 2 (b)

Answer: As more and more units of a variable input are added to a fixed input, output increases at a decreasing rate.

(10% answered correctly)

Explanation: Diminishing returns occur due to the overuse of a fixed input.

(23% answered correctly)

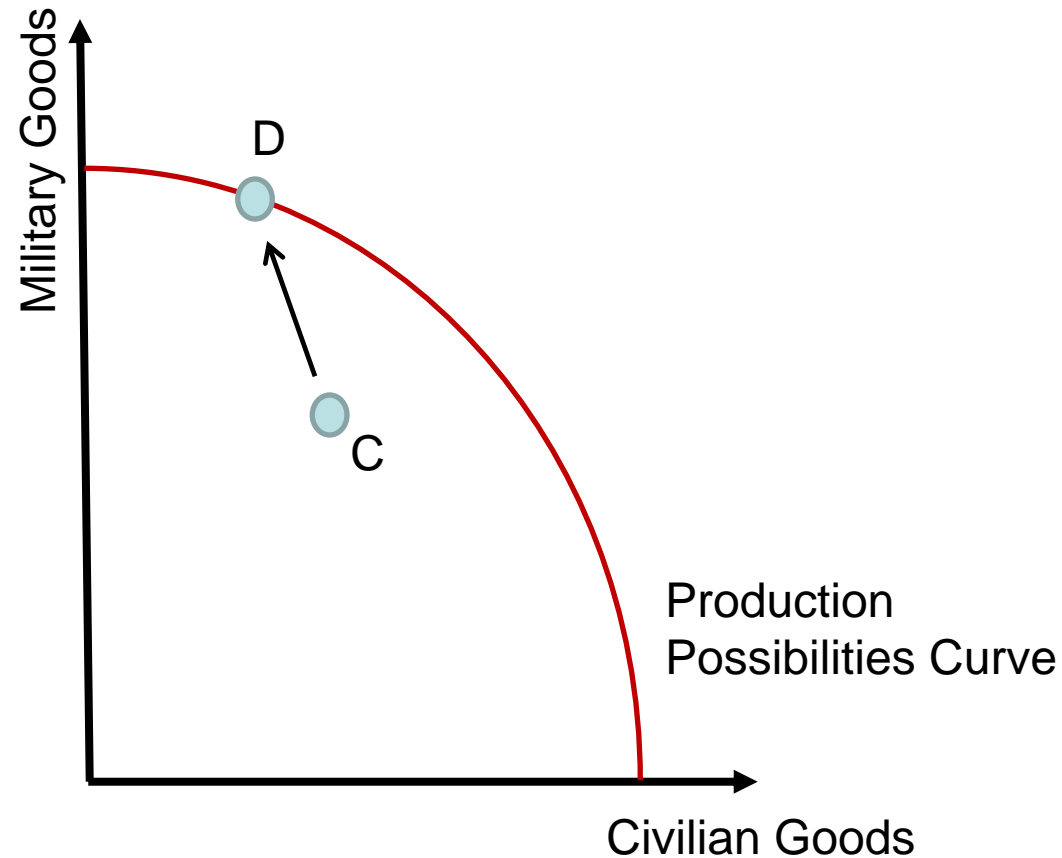
2. Overseas Macro 1 (e)

Question: A country's economy is in short-run equilibrium with an output level less than the full-employment output level. ...

Assume the economy produces only two goods: military goods and civilian goods. Using a correctly labeled production possibilities curve, show the effect of the increase in military expenditures [from part b], labeling the initial point as C and the new point as D.

2. Overseas Macro 1 (e)

Answer:

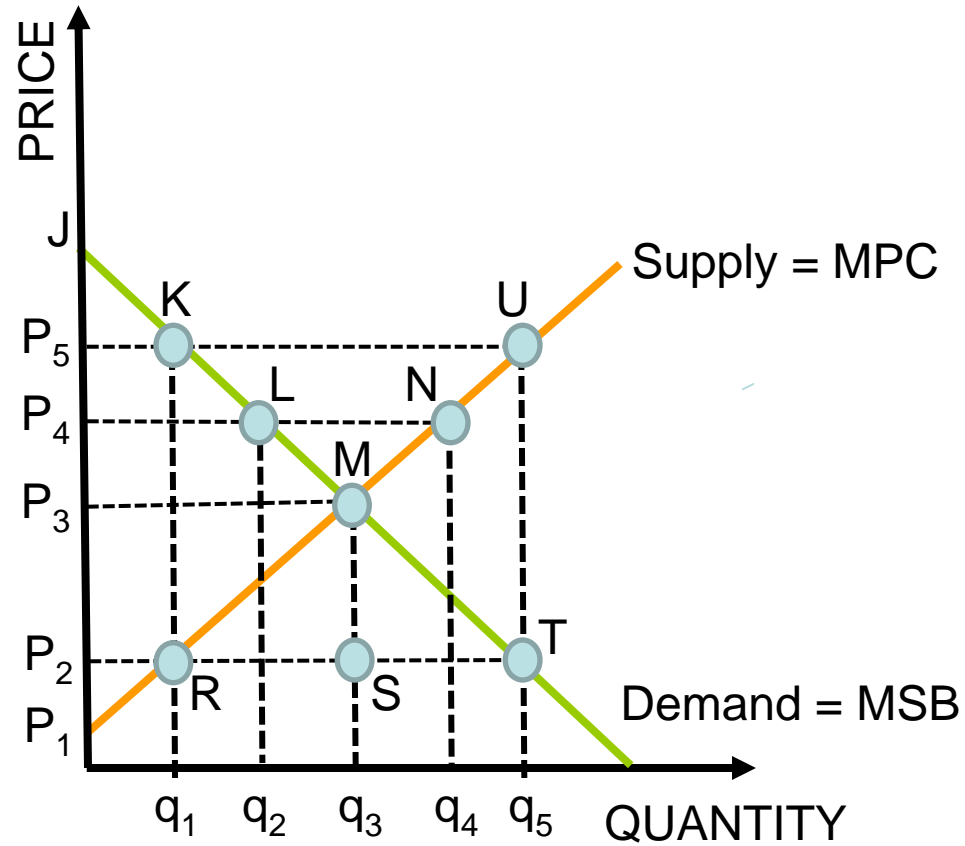


(8% answered correctly)

1. Micro 3 (c)

Question: Assume that the government imposes a per-unit tax of $(p_5 - p_2)$ to correct for the negative externality. [They were told in part (b) that the negative externality was equal to $(p_5 - p_2)$.] ... Identify the area representing the deadweight loss.

The Graph Provided

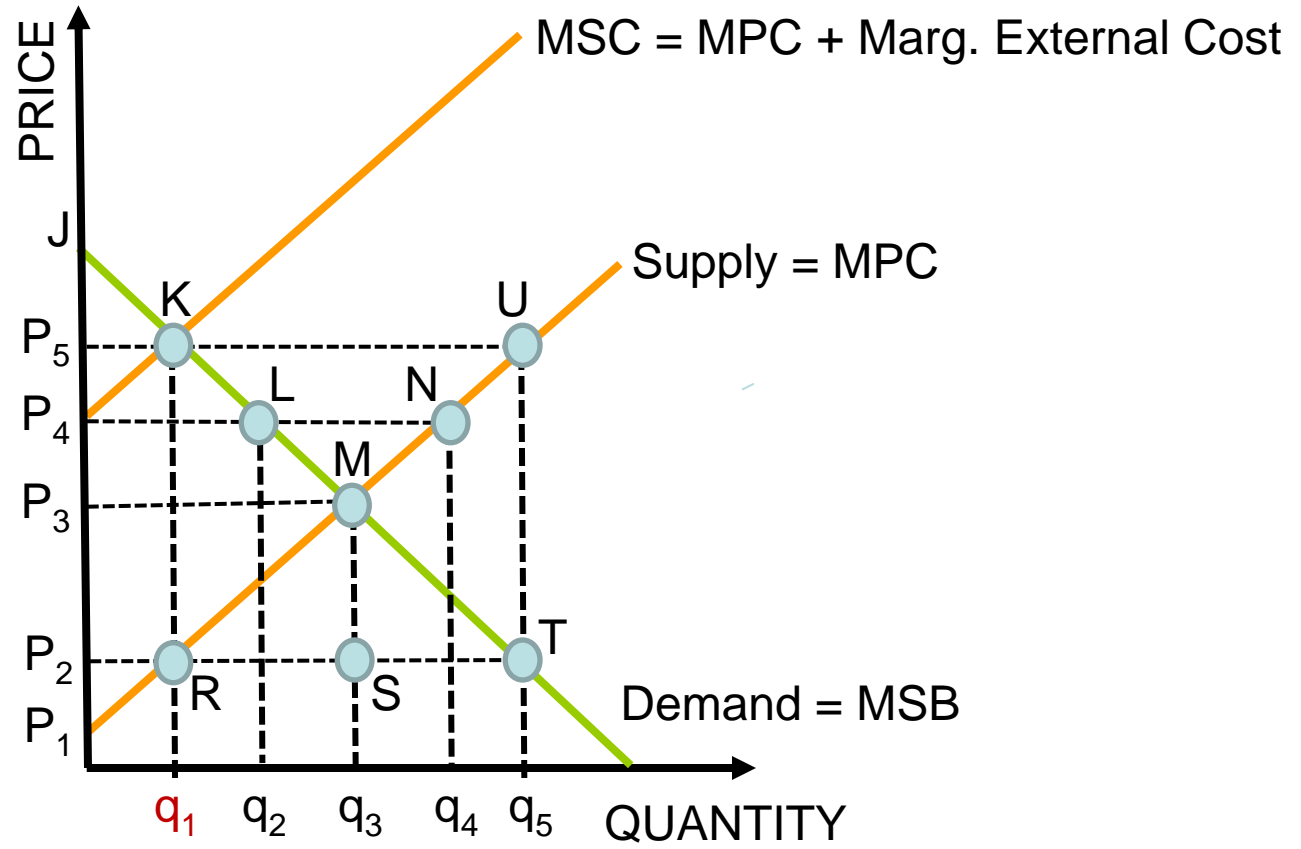


Deadweight Loss with Negative Externalities

“Quantity levels less than or greater than the efficient quantity create efficiency losses (or deadweight losses).”

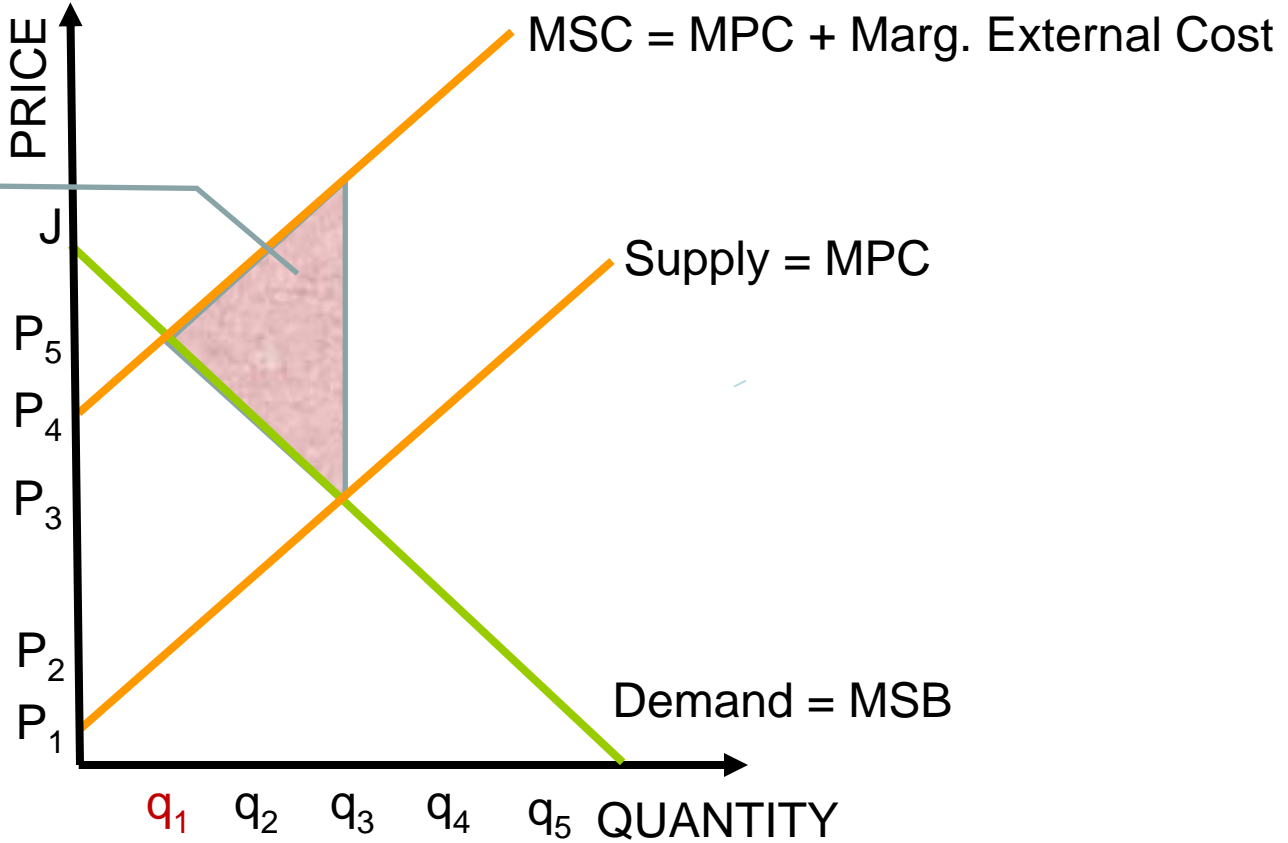
“Our analysis of the efficiency loss of a tax assumes no negative externalities Where such spillover costs occur, the excise tax on the producers might actually improve allocative efficiency by reducing output and thus lessening the negative externality.”

--McConnell, Brue, Flynn, 18e, p. 129 & 368



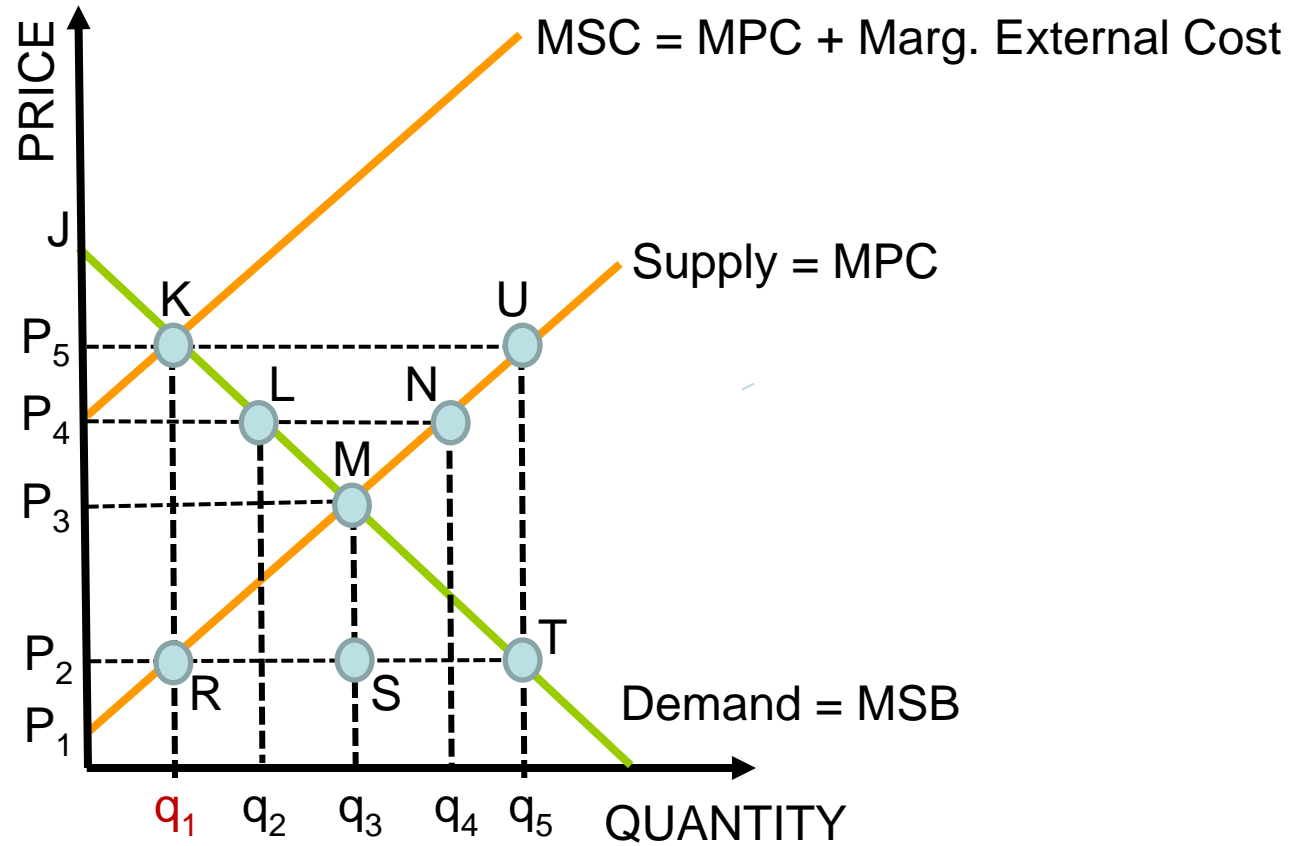
Efficient
Quantity

Deadweight loss from over production



Market Quantity

No
deadweight
loss at
efficient
quantity.



1. Micro 3 part (c) cont.

Answer: With the tax, the deadweight loss is zero (0.5 percent answered correctly).

Top Tips for Teachers

- **Be enthusiastic!** Every day! If you are not enthusiastic, the students more than likely will not be enthused. If you are, you have a chance they will be enthused. Even if you don't feel like it, you must act like it. For example, on Mondays after the Redskins lose on Sundays (this has happened way too often), I am miserable on the inside, but my students would never know it. On those days, I act like I am enthusiastic. I believe that is part of my job as a teacher.

Top Tips for Students

- Find a good study partner not a friend.

Top Tips for Students

- In the end, it is all about scarcity. In the beginning, it is all about scarcity.

Top Tips for Students

- Most economists don't use a lot of words and people don't understand economists who do. Get to the point. Don't dress it up. Simplify it if need be, but get to the point. You can be both thorough and concise.

Top Tips for Students

- Get to the point.

Top Tips for Students

- **AP Econ**, unlike AP [withheld], **is not trying to trick you.** See that list of topics (from the College Board) to be covered? See that syllabus with that list of topics? That's what you will see on your exam.

Top Tips for Students

- Leave your personal opinions at the door.

You must see all sides of every question and consider every possible angle.

Top Tips for Students

- Do the assignment when it is given, not when you want to do it.

Top Tips for Students

- **Graphs are to be taken seriously. Label around the clock** (all lines need an identity)

Labels (many of which are wrong)– use what's in the text

- **Pesos per Dollar**
- Price in pesos
- Peso P
- Q pesos
- P\$
- \$/Peso
- Price of \$
- PL
- V\$
- FX/\$
- Value of \$
- Value of Peso
- Peso
- E.V. of Peso
- Peso per \$
- Peso in dollars
- P = Peso
- \$ vs. Pesos
- \$ in terms of peso
- Price of \$ / Peso
- Peso value of \$
- Peso in relation to \$
- Peso price for \$
- E
- Exchange rate

Top Tips for Students

- Study and review class notes and activities every day. Don't wait until the night before the test.

Why does chocolate
trump grades?



Teenagers struggle with delayed gratification (don't we all?)



**“Don't be a teenager, be an economist.
It's not [just] about now, it's [also] about
the future.”**

Top Tips for Students

- Make your review book your friend.

Top Tips for Students

- Go to all the review sessions. There is **food** and some good answers to your questions.

Top Tips for Students

- **Economics is not about money**, its about a way of life and how you relate to others--remember it is a social science

Top Tips for Students

- Make a habit of reading the current economic news
- <http://www.nytimes.com/pages/business/economy/>
- <http://marketplace.publicradio.org/>
- <http://www.newyorker.com/talk/financial/search>

Top Tips for Students

- Write legibly and draw large graphs to make changes and distinctions clear to readers.

Right-Only Scoring

Beginning with the May 2011 AP Exam administration, points will not be deducted for incorrect answers.

Right-Only Scoring

- The rigor of the exam is not affected.
- Research confirms that formula scoring (deducting for incorrect answers) and rights scoring (not deducting) are equally valid.
- The College Board has made available revised worksheets you can use to calculate scores from old exams. They are available as a free download in the College Board store.

The Economics Cheer



Top Tips for Teachers

- Join and read the AP Econ Electronic Discussion Group.



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Testing

College Guidance

K-12 Services

Higher Ed Services

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