

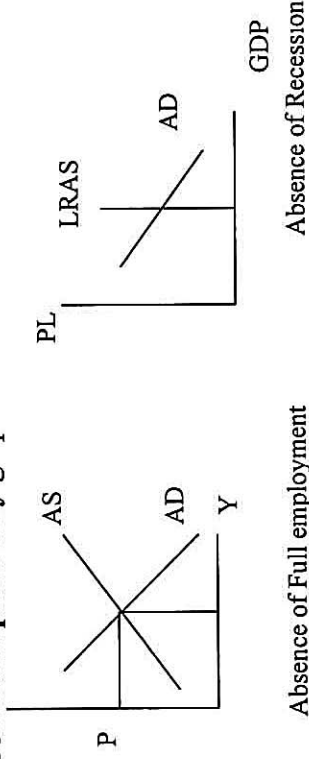
### Scoring Guideline for Macroeconomics Question 1

[2+2+4+2 = 10 Points]

#### **Part (a): 2 Points**

(1 point) AD-AS graph with a real output (Q or Y) and a price level shown (1 point) Showing that the real output is below the full-employment or potential income

Some **one point only** graphs:



#### **Part (b)**

- (1 point) G increase has greater impact than the T decrease  
(1 point) Reason: part of the T decrease is saved and does not contribute directly to an increase in income

#### **Part (c): 4 Points**

No Assertions!

- i. (1 point) Consumption increases because disposable income increases  
(May draw on part b if  $Y_d$  or money income increase is clearly stated)
- ii. (1 point) Because AD increases, GDP and P level increase  
[If the student operates in the perfectly elastic range of AS curve, P level would not need to increase.]
- iii. (1 point) Imports increase with an explanation:  
a) higher income/real GDP increases imports  
b) higher domestic price level increases imports  
c) higher interest rate leads to appreciated \$ which will increase imports  
[Note: if only assert \$ increases vs. other currencies, no point in part iii.]
- iv. (1 point) Exports decrease with an explanation:  
a) higher domestic price level decreases exports  
b) appreciated dollar reduces exports  
[Note: Exports “do not change” if P does not change in ii. is acceptable]

Part (d):

(1 point) Because net investment is a component of AD, increased investment will shift out the AD curve

**[Insist on a reason for the AD curve's shifting out.]**

(1 point) Increased net investment means an increase in the capital stock (or productivity or capacity) and an outward shift in AS.

**Scoring Guideline for Macroeconomics Question 2**

[2+2 = 4 Points]

**Part (a)**

(i) Supply of dollars increases to buy French Francs or to buy French goods (1 point)

(simply saying "increased supply of dollars" is not acceptable.)

(ii) Depreciation of U.S. dollar or reduced value of the dollar (1 point)

( using the explanation from part a (i)

( a wrong answer, but consistent with i), earns this point )

**Part (b)**

(i) Demand for U.S. dollar increases and the dollar appreciates (1 point)

( simply saying "appreciation of the dollar" is not acceptable)

ii) Quantity supplied of U.S. dollars increases (1 point)

(assertion OK)

(a wrong answer but consistent with (i), earns this point)

**Scoring Guideline for Macroeconomics Question 3:**

[2+3+2 = 7 Points]

**Part (a)**

Inward shift in the money supply and an increase in the interest rate

**1 point** Correct money supply graph with properly labeled axes

\_\_\_ labeled x-axis ( $Q_m$ )

\_\_\_ labeled y-axis ( $i$ ,  $p$  of money)

\_\_\_ Ms curve

\_\_\_ Md curve

**1 point** Inward shift in money supply and a higher interest rate

\_\_\_ Ms shift left

\_\_\_ interest rate increase

### Alternative point allocation

1 point

- Flawed graph, showing increase in interest rate (Flawed = only one major error)
- Flawed graph, with correct written **explanation** (no assertions)

0 points

- Absence of graph (no need to read any accompanying text)
- Poor graph with assertion (Poor = 2 or more major errors)

### Part (b)

1 point C: decrease linked graphically or with explanation (not assertion) to interest sensitivity

1 point I: decrease linked graphically or with explanation (not assertion) to interest sensitivity

1 point G: student expected to respond using automatic effects only—no discretionary interest-rate response is acceptable. (i.e., G decreases because cost of borrowing increases)

Two answers acceptable:

- no automatic response (must definitively say no change in G)
- G increases automatically because payments on debt increase

### Part (c)

AD shifts in: Real income decreases and Price level falls

1 point Correctly labeled AD/AS graph with an inward shift in AD

\_\_\_ x-axis (Y, GDP, Q)

\_\_\_ y-axis (P, PL, Prices)

\_\_\_ AS \_\_\_ AD

\_\_\_ shift in AD

1 point Correct impact on Real Income (decrease) and Price Level (decrease) (1 point)

\_\_\_ decrease in Y \_\_\_ decrease in P

### Alternative point allocation

1 point

- Flawed graph, showing P and Y decrease (Flawed = only one major error)
- Flawed graph, with correct written **explanation** (no assertions)
- Shift in AS, as long as AD shifted down correctly

0 points

- Absence of graph (no need to read any accompanying text)
- Poor graph with assertion (Poor = 2 or more major errors)