# AP® MACROECONOMICS



# About the Advanced Placement Program® (AP®)

The Advanced Placement Program<sup>®</sup> enables willing and academically prepared students to pursue college-level studies — with the opportunity to earn college credit, advanced placement, or both — while still in high school. AP Exams are given each year in May. Students who earn a qualifying score on an AP Exam are typically eligible to receive college credit and/or placement into advanced courses in college. Every aspect of AP course and exam development is the result of collaboration between AP teachers and college faculty. They work together to develop AP courses and exams, set scoring standards, and score the exams. College faculty review every AP teacher's course syllabus.

# **AP Economics Program**

The AP Program offers two courses in economics: AP Macroeconomics and AP Microeconomics. Each course corresponds to one semester of a typical introductory college course in economics. AP Macroeconomics focuses on the principles that apply to an economic system as a whole. AP Microeconomics focuses on the principles of economics that apply to the functions of individual decision-makers, both consumers and producers, within the economic system.

## **AP Macroeconomics Course Overview**

AP Macroeconomics is an introductory college-level course that focuses on the principles that apply to an economic system as a whole. The course places particular emphasis on the study of national income and price-level determination; it also develops students' familiarity with economic performance measures, the financial sector, stabilization policies, economic growth, and international economics. Students learn to use graphs, charts, and data to analyze, describe, and explain economic concepts.

#### PREREQUISITE

There are no prerequisites for AP Macroeconomics. Students should be able to read a college-level textbook and should possess basic mathematics and graphing skills.

## AP Macroeconomics Course Content

The AP Macroeconomics course provides students with a thorough understanding of the principles of economics and how economists use those principles to examine aggregate economic behavior. Students learn how the measures of economic performance, such as gross domestic product (GDP), inflation, and unemployment are constructed and how to apply them to evaluate the macroeconomic conditions of an economy. The course recognizes the global nature of economics and provides ample opportunities to examine the impact of international trade and finance on national economies. Various economic schools of thought are introduced as students consider solutions to economic problems.

### **Topic Outline for AP Macroeconomics**

- I. Basic Economic Concepts
- II. Measurement of Economic Performance
  - a. National income accounts
  - b. Inflation measurement and adjustment
  - c. Unemployment
- III. National Income and Price Determination
  - a. Aggregate demand
  - b. Aggregate supply
  - c. Macroeconomics equilibrium
- **IV. Financial Sector** 
  - a. Money, banking, and financial markets
  - b. Loanable funds market
  - c. Central bank and control of the money supply
- V. Stabilization Policies
  - a. Fiscal and monetary policies
  - b. The Phillips curve
- VI. Economic Growth
  - a. Definition of economic growth
  - b. Determinants of economic growth
  - c. Growth policy
- VII. Open Economy: International Trade and Finance
  - a. Balance of payments accounts
  - b. Foreign exchange market
  - c. Imports, exports, and financial capital flows
  - d. Relationships between international and domestic financial and goods markets

# **AP Macroeconomics Exam Structure**

#### **AP MACROECONOMICS EXAM: 2 HOURS 10 MINUTES**

### **Assessment Overview**

The AP Macroeconomics Exam questions measure students' knowledge of macroeconomics principles and their ability to reason within the discipline.

# Format of Assessment

Section I: Multiple Choice | 60 Questions | 70 Minutes | 66% of Exam Score

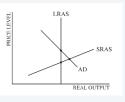
- Questions require the use of economics content knowledge and reasoning across the range of course topics.
- Some questions require analysis of different hypothetical situations.

Section II: Free Response | 3 Questions | 60 Minutes | 33% of Exam Score

- 1 long free-response question (50% of section score)
- 2 short free-response questions (each worth 25% of section score)
- Questions ask students to analyze unique scenarios using different course concepts.
- Some questions in the free-response section require graphical analysis.

# **AP MACROECONOMICS SAMPLE EXAM QUESTIONS**

# **Sample Multiple-Choice Question**



In the graph above, AD denotes the aggregate demand curve, SRAS the short-run aggregate supply curve, and LRAS the long-run aggregate supply curve. If no policy action were taken, which of the following changes would move the economy to its long-run equilibrium?

- (a) An increase in aggregate demand
- (b) An increase in exports
- (c) An increase in wages
- (d) A decrease in wages
- (e) A decrease in the expected price level

## **Sample Free-Response Question**

Country Y is experiencing severe and unanticipated inflation.

- (a) Explain the effect of this inflation on each of the following:
  - (i) A family with savings in a fixed-interest-rate time deposit account
  - (ii) A business repaying a long-term, fixed-interest-rate loan
- (b) Identify one fiscal policy action that could be implemented to reduce inflation.
- (c) Identify an open-market operation that could be implemented to reduce inflation.
- (d) Suppose that Country Y continues to experience high inflation in the long run. Indicate the effect of this inflation on the nominal interest rate in Country Y.
- (e) If Country Y's inflation is high relative to that of other countries, explain the effect of this inflation on the international value of Country Y's currency.

Educators: apcentral.collegeboard.org/apmacroecon Students: apstudent.collegeboard.org/apmacroecon

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Correct Answer: C