

The AP Tests in Microeconomics and Macroeconomics



- WHERE TO FIND MICRO AND MACRO
- MULTIPLE-CHOICE QUESTIONS
- ANSWERING STRATEGIES
- FREE-RESPONSE QUESTIONS

INTRODUCTION

Economics is a fascinating and enlightening subject that provides students with valuable insights to help understand the world and analyze complex issues while also helping one make better decisions. That being said, your most immediate concern is not likely solving global issues but preparing for the Advanced Placement (AP) Economics exam. Whether you are feeling extremely confident or in serious need of help preparing for the AP Economics exam, you have already made a wise economic decision by using this very book right now to prepare for the AP Economics exam. Like the tens of thousands of students around the world preparing for AP Economics exams this year (over 200,000 AP Economics exams are taken around the world every year), you may be feeling a bit overwhelmed by the extensive content in Economics, or thinking, “Where do I even begin to start studying?” Rest assured that in using this book you have turned to a fantastic resource to study for the AP exam. This book will help you learn the essential content in a clear and concise format. It highlights the important material to know based on a careful analysis of past AP Economics exams, and provides tips for success on either the AP Macroeconomics exam, AP Microeconomics exam, or both. It is clearly organized and written to help you focus on what you will actually be tested on and will prepare you for success for the AP Economics exam. You will also be provided with extra practice by taking the practice tests at the end of each section as well as online.

MICROECONOMICS, MACROECONOMICS, OR BOTH?

To make sure you are efficient with your review, let’s make sure you are in the correct section of the book. Some students take both the AP Microeconomics and AP Macroeconomics tests, but others may just take one of these. Please see Table 1.1 for the correct chapters to focus on for your specific test(s). *Note:* The basic economics section is the same for both AP Microeconomics and Macroeconomics, so all students should study Chapters 1–4.

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Table 1.1 What Chapters Should You Study?

Micro	Macro
Chapters 5–11, with a full practice exam at the end of Chapter 11.	Chapters 12–19 with a full practice exam at the end of Chapter 19.

THE TESTS: WHAT TOPICS WILL YOU SEE?

The College Board is very specific about what information will appear on the exams. For instance, an entire 55–70 percent of the AP Microeconomics exam is made up of the nature and function of product markets! Spending time studying product markets is obviously a smart decision. Table 1.2 shows the approximate percentage of the multiple-choice questions that will come from each content area, as stated by the College Board. For example, you can be assured that, as 55–70 percent of the AP Microeconomics exam is the nature and function of product markets, anywhere from 33 to 42 of the 60 multiple-choice questions on the exam will come from this content area. For more specific details about the exam topics, see Table 1.2. You will find the entire AP Microeconomics and Macroeconomics course outline on the College Board’s website, <https://apcentral.collegeboard.org/courses>.

Table 1.2 Micro and Macro Exam Topics and Approximate Percentage (Multiple-Choice)

Micro	Macro
Basic economic concepts (8–14%) Nature and functions of product markets (55–70%) Factor markets (10–18%) Market failure and the role of government (12–18%)	Basic economic concepts (8–12%) Measurement of economic performance (12–16%) National income and price determination (10–15%) Financial sector (15–20%) Inflation, unemployment, and stabilization policies (20–30%) Economic growth and productivity (5–10%) Open economy: international trade and finance (10–15%)

On both AP Economics exams, two-thirds of your test grade comes from the multiple-choice section; the other third comes from the free-response questions (FRQs), with one long and two short questions (Table 1.3). More details and strategies for the multiple-choice and free-response questions are given later in this chapter.

Table 1.3 Exam Breakdown: Both Microeconomics and Macroeconomics

Section	Questions	Allotted Time
1. Multiple-choice questions (66.7% of final score)	60	70 minutes
2. Free-response questions (33.3% of final score)	1 long, 2 short FRQs	10 minute planning time, 50 minute answer time

You may also be wondering what percent of questions one needs to answer correctly for a 4 or 5 on the exam. The AP Economics exam has a significant curve on it. In fact, fewer than one hundred of the 200,000-plus students who take the Economics exam every year get a perfect score! (If you do beat the odds and get a perfect score, you, your principal, and your teacher will receive a personalized letter of congratulations from the College Board on your achievement.) So now that we know that well over 99 percent of students will get at least one question wrong, you can see Table 1.4 for the minimum correct percent of correct answers you need to earn for different AP scores (1–5). Keep in mind that the averages may change slightly from year to year due to different test questions being used and variations in student performance.

Table 1.4 Percent Correct Needed on Exam for Different AP Scores: Both Microeconomics and Macroeconomics

AP Score	Minimum Correct Points Earned on Exam (%)
5	80
4	60
3	50
2	33
1	0

MULTIPLE-CHOICE QUESTIONS

The first part of the AP Economics exam is the multiple-choice section. In this section students are given 70 minutes to complete 60 questions. Each multiple-choice question works out to be 1.1 percent of your final AP exam grade, so every question is important. Even though students today have grown up in an era of standardized testing and have taken no shortage of multiple-choice tests, it's a good idea to refresh your skills or learn some new ideas in this section (some of which are relevant directly to the AP Economics exam). Here are some tips and suggestions:

- 1. YOU'VE GOT 60 PROBLEMS, SO MAKE SURE RUNNING OUT OF TIME ISN'T ONE MORE.** Of the 60 questions, don't allow yourself to become stuck on or obsessed with one or two questions. Most students run out of time not because of the overall difficulty level but because of spending too much time on too few questions. If you don't know the answer, star it, and return to it later. The time limit works out to be around 70 seconds per

- question, yet no one question is worth more points than others. Of the two sections of the test, the multiple-choice part is the one that you must be most mindful of the time.
- 2. WHEN IN DOUBT, GRAPH IT OUT.** You will definitely be required to draw graphs in the free-response section, but doing so can be very helpful in the multiple-choice section as well. A brief graph drawn in the margins can easily lead to the correct answers. For example, let's look at the following sample question:

Which of the following changes in the demand for and the supply for widgets will definitely result in a decrease for both the equilibrium price and quantity of widgets?

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

Trying to visualize all of those options can seem overwhelming; however, a well-prepared student could do a quick sketch of these supply and demand graphs. Graphing it out can easily clarify the correct answer. Even economic experts are fond of drawing out graphs to be sure of an answer. By the time a student has drawn option C, he or she will have identified the correct answer and can move on to the next question.

- 3. NO QUESTION LEFT BEHIND.** Answer every question. There is no penalty for incorrect answers, only points for right ones. So if you have no clue about the answer, guess anyway. Each question will have five choices, and you at least have a 20 percent chance at getting it right.
- 4. ABSOLUTELY NOT THE RIGHT CHOICE.** Be careful when dealing with a question that uses absolutes. Anytime a possible answer uses absolute phrases such as *always*, *never*, *rarely*, and *none*, that choice is usually not the correct one.
- 5. STAY POSITIVE, BUT RECOGNIZE THE NEGATIVES.** Make sure to read every word of the question carefully. A common way test writers employ negatives is found in this sample question:

The long-run growth rate of an economy will be increased by an increase in all of the following **except**

- (A) capital stock.
- (B) labor supply.
- (C) real interest rate.
- (D) rate of technological change.
- (E) spending on education and training.

A student could possibly miss the word *except* at the end of the question, and just put answer A, which would be correct if there was no *except*. Another similar technique to confuse students is “which of the following is NOT . . .”

6. **DON'T BE INTIMIDATED BY A QUESTION'S LOOKS.** Some questions can look overwhelming difficult, but when approached correctly, they are usually less intimidating than their looks. Here is a sample of a question that can initially appear very difficult:

An opportunity cost is entailed in which of the following situations?

- I. A student decides to attend college full-time.
- II. A family uses its \$20,000 savings to purchase an automobile.
- III. A farmer decides to grow more wheat and less corn.

- (A) I only
- (B) II only
- (C) III only
- (D) I and III only
- (E) I, II, and III

Consider questions of this nature to be merely glorified true/false questions. Walk through all of the options, and cross out the false ones. In this case, all three are true, making E the correct answer. Here is another sample of a question type that can appear intimidating:

Economic Data (Millions of People)

Population	150
Labor force	100
Unemployed	10
Part-time Workers	5

Based on the economic figures in the table above, what is the unemployment rate?

- (A) 0%
- (B) 5%
- (C) 10%
- (D) 15%
- (E) 33%

Just because there are four different options under economic data does not mean all of them need to be calculated. In this case, a student should recognize that the unemployment rate is calculated by dividing the number of unemployed by the labor force. Hence, you can ignore two of the four options under economic figures, and a simple calculation gives you the correct answer, C.

7. **EASY DOES IT, SOMETIMES.** Sometimes a few questions really are simple to answer. On past released AP Economics exams, the difficulty level of the multiple-choice questions tend to increase toward the second half of the section. So if questions at the beginning of a test appear especially easy, don't be surprised, it happens. Just be ready for some more difficult ones coming.

FREE-RESPONSE QUESTIONS

After the multiple-choice section and a short break, you move on to the free-response questions. This section makes up one-third of your AP score. This section is unique in that it begins with a 10-minute planning session; you can look at the questions but cannot record your official answers. Use this time wisely to plan and organize your answers. You then have 50 minutes to answer the questions. This section is comprised of one long question, worth about 16 percent of your final AP score, and two short questions, each worth about 8 percent. Try to use no more than 25 minutes for the long question, and 12.5 minutes for each of the two short questions. Past students report that they are more likely to run out of time on the multiple-choice section as opposed to the free-response questions, so be sure to double-check all of your answers in the free-response section. Here are some general tips for success on both the AP Microeconomics and the AP Macroeconomics free-response questions.

- 1. YOU GET SECOND CHANCES.** They don't come only in life but also on the AP Economics exam. A very important thing to know about the free-response questions is that even if you answer the first part of a question incorrectly, it is still possible to earn "consistency" points on other parts of the question related to the initial incorrect answer. To give you an example from a question similar to one on a recent AP Microeconomics exam, let's look at the monopoly graph in Figure 1.1. Students were asked to begin by identifying the profit-maximizing quantity for the monopolist. From there, students were asked to identify the price, total revenue, and total cost of production; all of these answers are based on the profit-maximizing quantity chosen at the beginning. If a student chooses the wrong quantity, technically all of the following answers will be wrong as well. However, if a student incorrectly identifies the wrong quantity of 25 (the correct answer is a quantity of 15 and a price of 40), he/she missed that point but is still eligible to get the other questions correct! The other answers are now based on the incorrect quantity of 25, which would result in different price, cost, and revenue answers that could be counted as correct. Despite this initial incorrect answer, several consistency points could be earned.

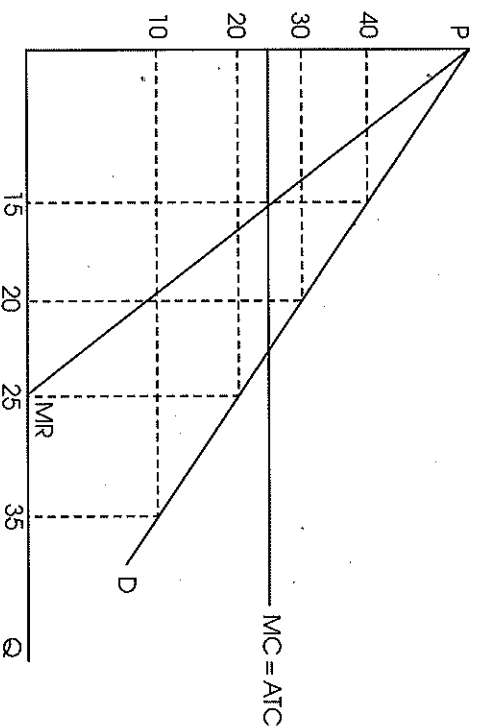


Fig. 1.1 Free-Response Example: Sample Monopoly Graph

Here is another example of how students can earn consistency points despite a wrong answer, this time from the AP Macroeconomics exam: The question reads “*Interest rates increase in the United States relative to Japan. Based on this change, what will happen to the value of the U.S. dollar vs. the Japanese yen, and exports from the U.S. to Japan? Explain.*” The correct answer is that the demand for the U.S. dollar would increase, making the U.S. dollar appreciate in value vs. the yen. As the U.S. dollar appreciates vs. the yen, exports to Japan decrease, because U.S. goods are now relatively more expensive for the Japanese. However, if a student incorrectly claims the U.S. dollar depreciates, one point is taken off, but not all is lost. The student can still earn a consistency point by stating that exports to Japan would increase, based on the initial wrong answer of a depreciated U.S. dollar.

2. MIND YOUR Ps AND Qs. Always completely label your graphs. You are guaranteed to have to draw graphs on the free-response section, and you will get several points on the test for labeling your graphs correctly. At a minimum, this means putting the correct label on the x - and y -axes and all your curves. Also, be sure to show with an arrow when the curve shifts, and clearly identify any changes in price or quantity. For example, if the demand curve increases leading to an increase in price, you could label the first curve D_1 , and the new curve D_2 , just like the graphs you will see in this book. The same goes for price and quantity, or any other item you are asked to label. Also, the graders of AP tests may take off points for not drawing dotted lines to the x - and y -axes to show price and quantity; be sure to do this. To be sure of how to correctly label a graph, see any graph in this book.

3. SAVE THE FIVE-PARAGRAPH ESSAY FOR ANOTHER AP EXAM. Being verbose, or using far more words than are required, is a common mistake students make. If a question asks you to identify a price or quantity, all that is required is to list the answer, (e.g., price of \$5, quantity of 20). The amount of writing required for full credit on a question is actually quite minimal. See more information on what is required for a correct answer in item 5 below.

4. A WELL-DRAWN GRAPH IS WORTH A THOUSAND WORDS. OK, maybe not a thousand words, but it is worth a few points on the AP exam. AP graders are looking for specific labels and information when grading your exam, and a well-drawn, neat graph with correct shifts can clearly display your understanding of content. There are just a few graphs to memorize and know. Draw them neatly and clearly and show your shifts. This will lead to success on the test.

5. EXPLAIN? IDENTIFY? DRAW? SHOW?—WHAT ARE GRADERS LOOKING FOR? Speaking from our vast experience as AP exam graders, you would be surprised at how many students know the content yet lose points because they either don’t fully read the question or misunderstand what the question is asking. Students should pay careful attention to understand what the question is actually asking. Here are a few common phrases that often confuse students and an explanation of what is expected for full credit when asked.

- *Show your work.* Do exactly what it says here. If you are asked to calculate profit on the AP Microeconomics exam and show your work, don’t just say that total revenue minus total cost equals profit, which is \$100. This will not suffice for credit. Plug in all the numbers, and show all of your work.

- *Explain.* You may not always be asked for an explanation, but be sure to give one if asked. Even if you have the correct answer, no point will be given if the explanation is missing. This is when you should write a whole sentence or two. Here is an example question: “*What happens to economic growth if real interest rates decrease? Explain.*” You will not receive full credit by merely stating that economic growth will increase because interest rates decreased. A correct answer for full credit would say: “*Economic growth will increase, because lower real interest rates will lead to increased investment and capital formation.*” Explain your whole line of reasoning, such as this answer does. **Note:** If the question does not ask you to explain, it’s not required for credit.
- *Identify or determine.* When you see these words, graders are expecting a straightforward answer that requires little writing. The question may ask you to identify the price, quantity, or profit.
- *Draw or show.* This is when graders are looking for a graph or a change on a graph. A question using these words may look like this: “*Draw a correctly labeled loanable-funds graph, and show how an increase in government borrowing affects the real interest rate on the graph.*” Here a student should label all axes and curves, and clearly show all shifts with arrows.
- *Calculate.* When a question asks you to calculate, it is asking you for a specific number, not just an area on a graph. Let’s assume a correct calculation is $3 \times 100 = 300$. If you set up the problem correctly but mistakenly write the wrong answer, you may still get credit! For example, if you write $3 \times 100 = 400$, you will likely still receive credit by setting up the problem correctly with 3×100 .

Here are a few other tips and reminders going into the AP Economics exam’s free-response section:

- Be sure to practice free-response questions in this book. The questions in this book have been carefully developed to be similar to what you can expect to see on the actual exam.
- Be neat and organized. AP Economics graders are looking for specific words, numbers, or labels on a graph, and clear, legible answers will help your cause. Also, clearly label the question number you are answering. If you are answering question 2(ii), label it as such before your answer.
- Memorize the various graph labels and curves. You will get several points just by labeling your graphs correctly. There are only a few graphs to know for both the Microeconomics and Macroeconomics exams. Know them well.
- Don’t repeat the question in your answer.
- Write your answers in the correct designated answer section. AP graders are instructed not to grade answers written in the wrong section. You would be surprised how many times students lose points for writing their answers or drawing graphs in the wrong section of the answer booklet. The location of the test booklet designated for answers is clearly labeled, but always double-check.

Here are some tips that are specific to either the Microeconomics or Macroeconomics free-response questions:

MICROECONOMICS FREE-RESPONSE

- Know the four market structures. The long free-response question frequently asks students about one of these three market structures: perfect competition, monopoly, and monopolistic competition. The fourth, oligopoly, has been frequently asked about in one of the short questions, applying game theory.
- The other two short questions can come from a wide range of topics from the course outline. Common past topics for these questions in recent years have included labor markets, externalities, accounting vs. economic profit, utility maximization, elasticity, natural monopolies, price ceilings/floors, tax incidence, and allocative and productive efficiency. Please note that any topic from the course outline could potentially be asked in this section.

MACROECONOMICS FREE-RESPONSE

- Know the Big 5 graphs. When you have to draw a graph, most likely it will be one of the Big 5. They are aggregate supply and demand, the Phillips curve, the money market, the loanable-funds market, and the foreign exchange market.
- Of the Big 5, the one that almost always appears is the aggregate supply and demand graph.
- Question number 1 (the long one) almost always starts by asking students to draw an economy either at full employment, in a recession, or with inflation using the aggregate supply and demand model. It then moves on by asking for an appropriate monetary or fiscal policy for the situation. It will usually ask students to draw a second graph as well, likely the Phillips curve, the loanable-funds market, or the money market.
- The other two short questions can come from a wide range of topics from the course outline. Common past topics for these questions in recent years have included comparative advantage and terms of the trade, nominal vs. real interest rates, the foreign exchange market, banking money expansion using the money multiplier, gross domestic product, price indexes, and the balance of payments. Please note that any topic from the course outline could potentially be asked in this section.

Table 1.5 Supplies

Items to Bring to the Exam
<ul style="list-style-type: none">■ No. 2 pencils (for multiple-choice answers)■ Black or dark-blue ballpoint pens (for free-response answers)■ Watch
Items that Are Strictly Forbidden
<ul style="list-style-type: none">■ Calculators■ Scratch paper■ Rulers, correction fluid, compasses, dictionaries, and the like■ Cellular phones■ Food and drinks

PRACTICE, PRACTICE, PRACTICE: ONLINE RESOURCES

Now that you have all the information and strategies for the exams in AP Economics, be sure to use them whenever you do the practice exercises at the end of each chapter, the practice exams in the book, and, of course, when you take the actual tests. In addition to all of the tests and practice questions in this book, you can get even more practice online at www.barronsbooks.com/ap/ap-economics/ with additional tests. (You will need your copy of this book handy to complete the online registration.)