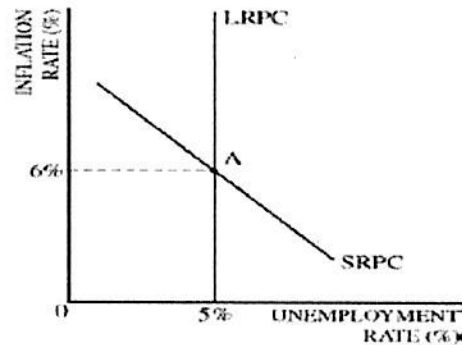


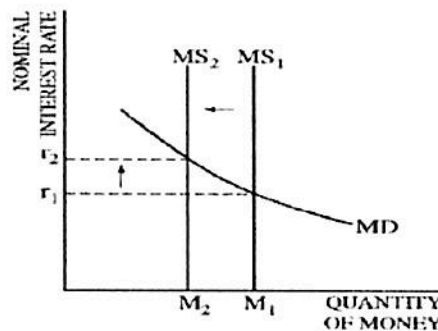
2009 Practice FRQ

Question 1

11 Points (2 + 1 + 1 + 2 + 2 + 3)



- (a) 2 points:
- One point is earned for a correctly labeled graph of the short-run Phillips curve.
 - One point is earned for showing position "A" on the LRPC at the correct coordinates where the SRPC crosses the LRPC curve.
- (b) 1 point:
- One point is earned for the correct calculation of the real interest rate: $8\% - 6\% = 2\%$.
- (c) 1 point:
- One point is earned for stating that the Federal Reserve should sell bonds.

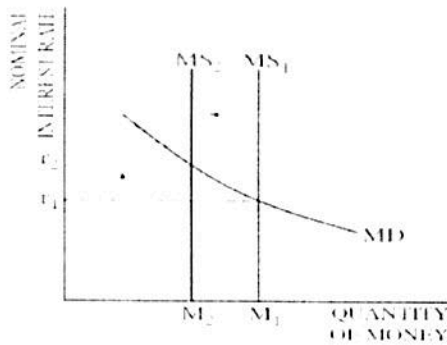


- (d) 2 points:
- One point is earned for a correctly labeled graph of the money market.
 - One point is earned for showing a leftward shift of the money supply curve resulting in a higher interest rate.
- (e) 2 points:
- One point is earned for stating that aggregate demand decreases.
 - One point is earned for explaining that the higher interest rate decreases investment and interest-sensitive consumption spending, and that both consumption and investment are components of aggregate demand.
- (f) 3 points:
- One point is earned for stating that the short-run Phillips curve will shift to the left.
 - One point is earned for explaining that Federal Reserve policy will lower inflationary expectations.
 - One point is earned for stating that the natural rate of unemployment will remain unchanged.

2009B Practice FRQ RUBRIC

(a) 2 points:

- One point is earned for determining the total change in reserves: \$50 million.
- One point is earned for calculating the maximum possible change in the money supply:
 $10 \times \$50 = \500 million.



(b) 2 points:

- One point is earned for a correctly labeled graph of the money market.
- One point is earned for showing a leftward shift of the money supply curve and an increase in the nominal interest rate.

(c) 1 point:

- One point is earned for concluding that the equilibrium price level will fall.

(d) 2 points:

- One point is earned for concluding that people with a fixed income would be better off.
- One point is earned for explaining that the lower price level raises real income or increases the purchasing power of the fixed income.

2009 #3 FRQ RUBRIC

6 points (3 + 1 + 2)

(a) 3 points:

- One point is earned for stating that the maximum dollar amount the bank can initially lend is \$80.
- One point is earned for stating that the maximum change in demand deposits is \$500.
- One point is earned for stating that the maximum change in the money supply is \$400.

(b) 1 point:

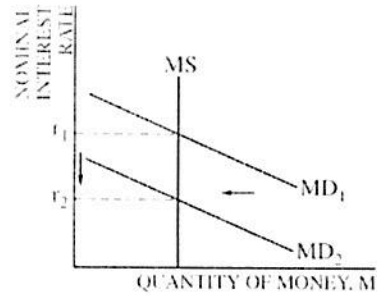
- One point is earned for stating that the Federal Reserve's action will increase the money supply by at most \$25 million.

(c) 2 points:

- One point is earned for stating that the real wages will fall.
- One point is earned for explaining that real wages fall because the Federal Reserve's action causes inflation.

2017 #2 FRQ RUBRIC

6 points (2 + 2 + 1 + 1)



(a) 2 points:

- One point is earned for drawing a correctly labeled graph of the money market.
- One point is earned for showing a leftward shift in the money demand curve, resulting in a lower nominal interest rate.

(b) 2 points:

- One point is earned for stating that the price of previously issued bonds will increase.
- One point is earned for stating that both the price level and real income will increase and for explaining that the lower interest rate will increase consumption, investment, and/or net exports (interest-sensitive spending), which increases aggregate demand.

(c) 1 point:

- One point is earned for stating that the velocity of money will increase.

(d) 1 point:

- One point is earned for stating that the central bank would sell bonds.