

## About the AP Economics Course

### Course Themes and Structure

The Advanced Placement (AP) program was created by the College Board, which also developed the SAT exam. The AP Economics course descriptions and exams are written by the AP Economics Development Committee, which consists of college economic professors and high school teachers with experience teaching the AP Economics course. This committee has studied the economics course descriptions from hundreds of university professors to determine which concepts to include in the AP Economics course descriptions and the focus of the AP Economics Exams. The College Board requires audits of high school courses with the AP designation to ensure that the high school curriculum meets standards equivalent to the college economics course. From time to time, the College Board asks college students to take the AP Exam, so that the College Board may compare scores and ensure that the score distribution for high school test-takers is appropriate.

Microeconomics and macroeconomics are generally two one-semester courses that explore different aspects of our economy. Because the resources we need to produce the products we want are scarce, we have to make decisions about how to satisfy our unlimited wants with those limited, scarce resources. While microeconomics focuses on the small picture of decision making by individuals and firms, macroeconomics studies the big picture of national economies, governments, monetary systems, and international trade.

## About the Exam

The AP Microeconomics Exam and AP Macroeconomics Exam are entirely separate exams. Students may opt to take either exam or both. Each exam is scheduled for two hours and ten minutes, with one test in the morning and the other in the afternoon of the same day. Students are given 70 minutes to answer 60 multiple-choice questions. Then, after a ten-minute reading period, students have 50 minutes to write answers to three free-response questions.

## What is Covered

**TABLE 1A** Breakdown of the AP Microeconomics Exam

Percentage of Questions	Topics	Chapters in this book related to the Exam
8–14%	Basic Economic Concepts	1, 2, 3, 4
55–70%	The Nature and Functions of Product Markets	3, 6, 7, 8, 9, 10, 11, 12, 13, 13W
10–18%	Factor Markets	13W, 14, 15, 16, 17, 18
12–18%	Market Failure and the Role of Government	4, 5, 17, 18, 19

**TABLE 1B** Breakdown of the AP Macroeconomics Exam

Percentage of Questions	Topics	Chapters in this book related to the Exam
8–12%	Basic Economic Concepts	24, 25, 26, 27, 28
12–16%	Measurement of Economic Performance	25, 26, 27, 28
10–15%	National Income and Price Determination	25, 28, 30
15–20%	Financial Sector	32, 33, 34, 35
20–30%	Inflation, Unemployment, and Stabilization Policies	27, 30, 31, 32, 33, 34, 37
5–10%	Economic Growth and Productivity	25, 26, 31
10–15%	Open Economy: International Trade and Finance	37, 38, 39, 39W

## Understanding the Format

As we explained earlier, each of the AP Economics Exams—microeconomics and macroeconomics—is a two-hour and ten-minute exam. The College Board schedules these exams on the same day in May, with one exam in the morning and one in the afternoon. The multiple-choice section accounts for two-thirds of the score, and a free-response section provides the other one-third of the score.

**Multiple-Choice Questions** The first portion of the exam consists of sixty multiple-choice questions, which are to be answered within seventy minutes. The multiple-choice questions can include a wide range of information,

including definitions and applications of principles, calculations, interpretations of graphs, explanations of the causes or results of an economic action, and choosing an appropriate economic policy to deal with an economic event.

**Free-Response Questions** The second portion of the exam consists of three free-response questions, with approximately half of the score given for the first written response and the rest divided between the other two written responses. The sixty minutes of free-response time begins with a mandatory ten-minute reading period, during which you may begin outlining your answers. The College Board suggests that you spend approximately twenty-five minutes writing the long response and divide the other twenty-five minutes between the shorter responses. The long response generally involves interconnections among several different concepts central to the course, while the shorter responses generally focus on one specific concept or a pair of related concepts.

**TABLE 2** Breakdown of the AP Economics Exam Format

Summary of Exam Format		
<b>Section I:</b>	<b>Multiple Choice</b> 60 questions Time: 70 minutes	No calculators are allowed. Use a #2 pencil with a very good eraser for this section.
[10-minute break]		
<b>Section II:</b>	<b>Free Response</b> Three free-response questions Time: 50 minutes One long question (25 minutes) and two short questions (25 minutes together)	There is a 10 minute required reading period before writing the answers to the three free-response questions. This time can also be used to begin outlining answers.  No calculators are allowed. Use blue or black ink for this section.

## Grading of the AP Exam

The multiple-choice section of the exam is scored electronically, while readers grade the free-response sections. The College Board then applies a weighted formula and combines the raw multiple-choice and free-response scores to create a composite score. Finally, a conversion factor is used to award the student one of five final scores with a 5 being extremely well qualified and a 1 being no recommendation.

Because the AP Microeconomics and Macroeconomics courses are intended to represent the two one-semester college courses, the two AP Exams are scored independently. You may opt to take either exam or to take both exams. A

passing score on either exam can provide college credit for institutions that accept AP credit, but colleges and universities differ markedly in requirements and credits offered. Some schools accept a score of 3 for credit, while other schools require a 4 or a 5 in order to receive credit.

**TABLE 3** Overall Grade Distribution

Grade Distribution	
<b>Multiple Choice:</b>	67%
<b>Free Response:</b>	33% The long (first) free-response question represents 50% of the free-response score, while each of the other two free-response questions represents 25% of the free-response score.

## Multiple-Choice Questions

Each question has five potential answers labeled A–E. Each correct answer is worth one point, while questions left blank earn no points.

**To guess or not to guess?** Beginning with the May 2011 exam, the College Board will assess no penalty for wrong answers. While you will earn no credit for a wrong answer, you will not face any additional penalty for guessing. So it is in your best interest to answer every question on the exam.

## Free-Response Questions

AP Economics responses are quite different from the formal essays written for some other AP subjects, which require thesis statements and five-paragraph development structure. AP Economics free-response questions generally consist of a series of questions and sub-questions which can be answered in several sentences. Responses should directly answer the questions asked.

Keep in mind the economic concept of efficiency and apply that to your free-response writing. Be complete but be efficient about it. Directly answer the question asked, and explain why that answer is correct. Do not write as though you have swallowed a dictionary, reaching for complex language and unnecessary difficulty. Some of the best answers use the appropriate terms and the clearest language to explain the situation, causes and effects, and reasoning. The readers want to see a clear analysis and your understanding.

Many of the free-response questions also require you to draw one or more graphs. As the exam directions indicate, it is very important that you correctly label your graphs. Your axis labels should be clear (for example, Price and Quantity, or Price Level and Real Output). Every curve should be appropriately labeled. If you want to indicate the shift of a

curve, be sure to draw arrows between the curves to show the direction of movement, and label the second curve differently (for example, D1 and D2). Draw equilibrium points where appropriate and indicate those equilibrium prices or quantities on the axes of your graph. Remember that the readers want to award you points for every correct portion of your response, so make their job as easy as possible.

## Hints and strategies

### Multiple-Choice Questions

Because the College Board no longer places an additional penalty on wrong answers, you should answer every question in the multiple-choice section of the exam. It is best to answer questions in the order they appear, rather than skipping questions throughout the test, out of concern that you might skip a line and mismark subsequent answers. Make a note of answers you want to go back to review once you've finished, but don't skip a question entirely. Carefully erase corrections completely.

Be careful not to overanalyze questions. In many cases, the answer may seem to be too obvious when it is correct. Don't second-guess yourself. The AP Exam questions are designed to test information you should have learned in the course, not reach for the most obscure concepts. While some questions will test your ability to discern concepts (for example, the difference between a change in demand and a change in quantity demanded), they are not designed to trick you if you understand those concepts.

With that in mind, also remember that several of the test questions will be written at a high level in order to identify students deserving scores of 4 and 5. You may face test questions about concepts you have not studied or do not remember, but it is still important to answer every question. If you can eliminate a couple of obviously wrong answers, you are that much closer to a correct answer.

Watch carefully for key terms in a question that can help you rule out incorrect answers. For example, “long run” and “short run” result in different graphs for firms entering and exiting the industry in Micro, and a different slope for aggregate supply and Phillips Curves in Macro. The terms “nominal” and “real” can help you differentiate the effects of inflation. If you pay careful attention to the terms, you may be able to rule out two or more of the potential answers.

For questions regarding graphical analysis, quickly draw yourself a graph to visualize the answer. Don't just rely on your memory; seeing the graph can help you to remember the relative locations of the average total cost and average variable cost curves, or how a change in aggregate demand affects real output and price levels. It is important

to use these visual aids to avoid simple mistakes that cost you points.

Calculators cannot be used during the AP Economics exam. Generally, the math involved in multiple-choice questions is simple enough that if you understand the formulas, the answer will be clear. For example, reserve requirement ratios will tend to be 5%, 10%, 20%, or 25% to make it easy for you to calculate money multipliers. The opportunity costs involved in calculating comparative advantage will reduce to numbers that are easy to compare.

It is important to watch your pace as you move through the exam questions. You have just over one minute to answer each question. Some questions, such as definitions, can be answered very quickly, while others may require deeper analysis or time to draw a graph to find the answer. The key is to keep moving and keep an eye on the time. If you finish early, double check that you have answered every question on your answer sheet, and review the questions you had made a note to review one last time.

### Free-Response Questions

At the beginning of the free-response portion of the exam, you will have a mandatory ten-minute reading period. Use that time to very carefully review each question. Start to sketch graphs and write notes right on the question page, so you can outline your answers.

One key to writing a good free response is to focus on the verbs in the free-response questions. “Identify” calls for a brief, direct answer to the question, while “explain” calls for an actual explanation of the reasoning for your answer. “Define” means to do exactly that—define what the term means. It is not enough to give an example of the concept in action. Some students have found that circling all of the verbs on the question sheet helps them to identify what they should do for each part of the question.

Organization is essential for a good free-response answer. Be sure to answer the questions in the order they were asked. Directly answer the question that was asked. For example, if the question asks you what will happen to employment, don't answer by explaining what you think will happen to the unemployment rate; answer about employment.

In writing your answers, it is critical to make linkages between concepts. This is one issue readers have consistently identified as a weakness in the responses they read. In Micro, *why* does an increase in the price of strawberries lead to an increase in the demand for grapes? In Macro, *why* does an increase in the money supply cause an increase in new home sales? Be sure to explain how a change in one factor affects other factors, and the mechanisms that cause that change to happen.

Remember that in the free-response portion of the exam, readers *give* you points for correct answers, rather than *subtracting* points for incorrect answers. However, if the question asks about a specific policy solution such as an open market operation, and you answer by discussing changes in the discount rate, even if your answer pertaining to the discount rate is correct, you will not earn the point because you did not answer the question that was asked.

It is important to look for details in the question that will help you to correctly draw your graphs. Look for terms like “short run” and “long run”. A Micro question may ask you to draw a graph showing a firm making an initial short-run profit. Drawing a graph in long-run equilibrium will cost you easy points. In the same way, a Macro question may ask you to draw a graph illustrating an economy in short-run equilibrium at less than full-employment output. In order to illustrate that lower output, you will have to

draw a vertical long-run aggregate supply curve to the right of current equilibrium. Be careful to label every axis and curve and show any curve shifts and equilibrium.

When you have finished, it is very important to reread each question and sub-question to be sure you have answered every single part of the question. Because readers give points for correct answers, rather than subtracting for incorrect answers, it is in your best interest to guess. What will happen to the price? What will happen to exports? What will happen to the number of workers hired? The only possible answers are “increase”, “decrease”, or “no change”, so make your best effort even if you are not entirely sure of your answer.

One last consideration: handwriting. You must write your answer in blue or black ink. Use your best handwriting to make it easy for your reader to find and read your answers, so you can earn all of the points you deserve.