Guide to Econ FRQs.

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So you've decided to take AP Econ. Good for you. But you need help with your FRQs? That's a shame. Thankfully, I'm here! So, lets get started.

There are 3 parts to an Econ FRQ. Graph, Formulas, and Analysis.

Graph- Exactly what it says. Drawing the graph and manipulating it. May require a bit of analysis, but we'll get to that later.

Formulas- MM=1/MPC, C+I+G+NX=GDP, you know the drill. This tells you a certain variable based on a set of other variables.

Analysis- How do two concepts relate to one another? Often times, there will be questions on how a change in one thing affects another, and there will be no equation for it.

How to solve each type of problem.

Graphs- The main qualm most people have here, is that they have no clue what a type of graph looks like. I'm here to tell you don't worry. There are mainly only six ~ eight types of graphs that will be asked about on the test. the AP test isn't completely evil. It will give you a little bit of help. For one, it will tell you what type of graph to draw. Next, it will tell you what needs to be on the graph. For example, if a question asks you to draw a loanable funds graph, it will say something along the lines of "Make sure to correctly label the Money Supply, and Money Demanded curves." Awesome. So now you know what the inside of the graph holds. BUT! There is a small problem here. You don't know how each of the lines look, and you don't know what the axises should be labeled. Don't worry. Just use analysis (I'll go in depth about it later, but for now, here's a crash course.) How do each of these concepts relate to each other? Are any of these "sticky?" Are there any formulas which contain any of these factors? Does the name of the graph give you any hints?

Here's where we start thinking. Okay, so both the demand and supply of money are variables. They can change. So their curve must be slanted or curved. I know how they need to be slanted (you're gonna have to do a bit of memorization here, think supply/demand on the sort run supply/demand graphj) But what about where the points meet? If supply of money increases, something needs to decrease. Conversely, if demand increases, something needs to go up. Here's where be bring in analysis and branching of other graphs. If supply=demand, that means that exactly that much money will be given. Nothing more, that means that one of the axises must be the "quantity of funds ." Here, you use logic to find out whether it is the X or Y axis. If demand of loanable funds increases, should quantity increase or decrease? Increase, of course! Because more people want

money, more funds will be loaned out. Same with supply. So, with those facts in mind, QoF must be the X axis. So what is the Y axis? Well, what should increase as demand goes up and decrease as supply goes up? Well, there is a concept similar to this in the macro graph called price level. So, in this case the Y must be the price level of loaning funds. Hold on a bit, price level of funds? There's no term for that? Well think of it logically. Price level is the cost of something. What do we call the cost of loaning money? Interest! So the Y axis must be interest.

Formulas- These MUST be memorized, at least for the most parts. Sometimes, Analysis can be used to derive formulas. For example, you're given how much an average person saves for each dollar he/she makes. (in other words, this gives you the MPS). But the question asks, "if X amount of money is invested, what magnitude of effect will it have?" In essence, you need the money multiplier. But lets assume you forgot MM = [1/MPC] = [1/(1-MPS)]. Just think to yourself, "Hmm. Money multiplier is supposed to be about how much impact money will make if its put into the supply. That should be dependent on how much people spend. Wait a second, I already have the % that people save, so whatever % out of 100 they don't save, they have to spend!" And from there on out, you can use logic to find the rest.

Analysis- This is perhaps THE most important thing when it comes to econ FRQs. You have to know how things relate with each other. Bring in outside stuff. Use other graphs and other formulas to try and make sense of the topic at hand. In essence, analysis is using what you've learned in class and applying it to the real world. Example questions would be something along the lines of "lets assume X happens. How does this affect Y?" And honestly, Analysis isn't something that can be taught .You need to learn to develop it for yourself by reading and understanding the material.