

28 What could be described as an expansionary fiscal policy?

- A a decrease in the budget deficit
- B a decrease in the budget surplus
- C a decrease in the exchange rate
- D a decrease in the money supply

29 Why will a contractionary monetary policy reduce inflation?

- A Banks will lend more.
- B Consumers will have higher disposable income.
- C Consumers will pay more tax.
- D Consumers will save more.

30 The government of a country is worried about a large deficit on the current account of its balance of payments and an increasing rate of inflation. The country has a fixed exchange rate for its currency.

Which policy measure is **most** likely to help the government to reduce the current account deficit and lower the rate of inflation?

- A devaluation of the currency
- B increasing government spending
- C decreasing the direct taxes
- D increasing the interest rate