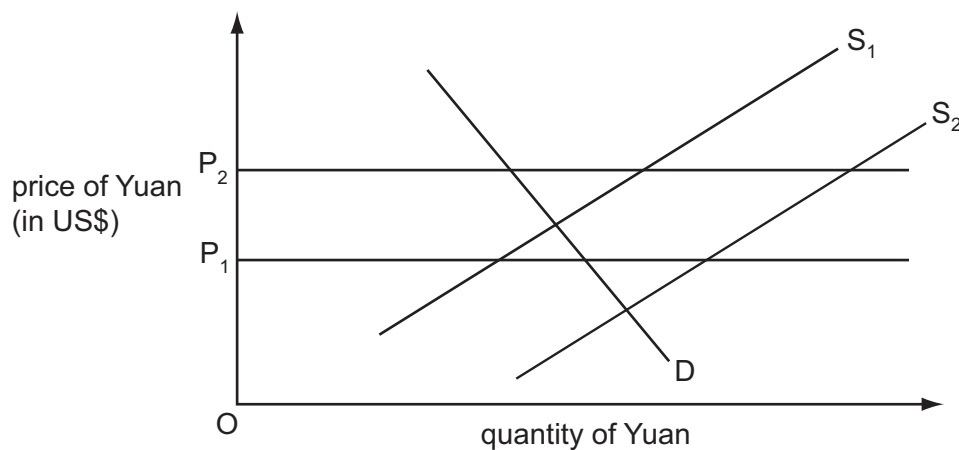


- 28** Assume the Chinese monetary authorities are committed to maintaining the exchange rate of China's currency, the Yuan, against the US\$ between P_1 and P_2 on the diagram.



What might they do if supply changed from S_1 to S_2 ?

- A** introduce controls on Chinese investment overseas
 - B** lower interest rates
 - C** remove tariffs on imports from USA
 - D** sell Yuan on the foreign exchange markets
- 29** A revaluation (appreciation) of the exchange rate of a currency always has the effect of
- A** improving the current account of the balance of payments.
 - B** improving the terms of trade.
 - C** increasing the price of imports.
 - D** increasing the value of imports.
- 30** What is an expenditure-switching policy measure?
- A** decreasing income tax
 - B** decreasing the money supply
 - C** devaluing the currency
 - D** increasing government spending