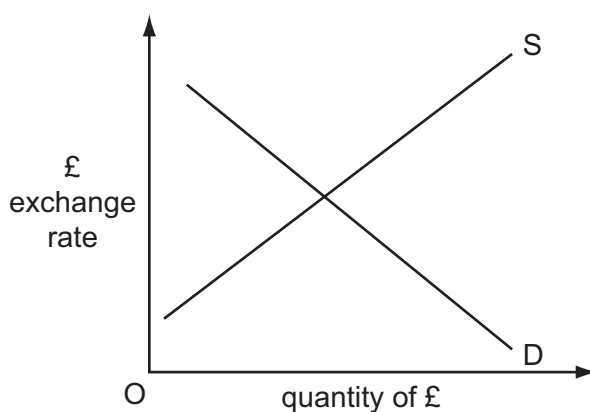


- 29 The diagram shows the demand for sterling and the supply of sterling in the foreign exchange markets.



Other things being equal, if UK interest rates increase, what is likely to happen to the demand and supply curves in the diagram?

	demand curve	supply curve
A	shifts to left	shifts to left
B	shifts to right	shifts to right
C	shifts to left	shifts to right
D	shifts to right	shifts to left

- 30 In an attempt to correct a balance of trade deficit the government of Indonesia has decided to employ expenditure-dampening methods.

Which policy would best fit this description?

- A** introducing quotas on imported goods
- B** raising income tax rates
- C** subsidising home-produced goods
- D** taxing imported goods