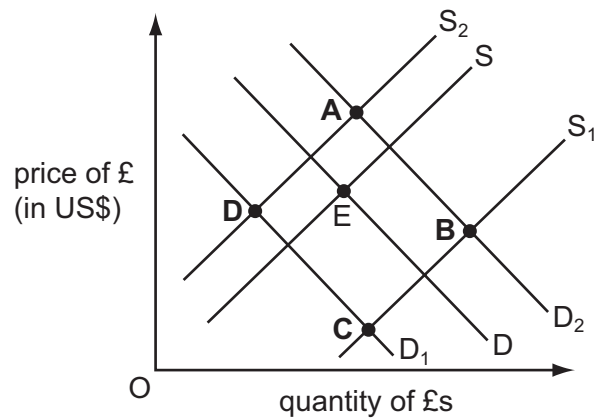
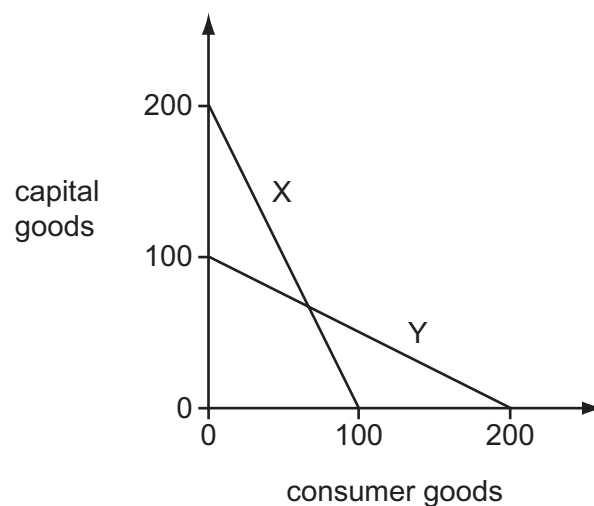


- 28** The diagram shows the exchange rate for the UK£ in terms of the US\$. The original equilibrium exchange rate is at E.

What will be the new exchange rate equilibrium of the UK£ following a reduction in UK interest rates and a rise in US interest rates?



- 29** The diagram shows the production possibility curves of two economies, X and Y.



Which statement about the two economies is correct?

- A** Both economies always have the identical opportunity costs.
- B** Both economies have the same future growth prospects.
- C** The opportunity costs are constant in both economies.
- D** The two economies can never produce the same combination of products.