

25 What term relates to a fall in the domestic real value of a currency?

- A** deflation
- B** depreciation
- C** devaluation
- D** inflation

26 A country has a persistent balance of payments deficit.

What is most likely to improve the situation in the long run?

- A** a lowering of the level of import duties
- B** a reduction in the level of income tax
- C** the introduction of expansionary monetary policy
- D** the use of grants to encourage new investment by firms

27 To counter deflation a central bank uses expansionary monetary policy.

What is likely to result?

- A** a higher cost of borrowing
- B** a higher rate of inflation
- C** an appreciation of the exchange rate
- D** an increase in government debt

28 A government reduces the benefits that it pays to unemployed workers to increase the incentive to work.

Which types of macroeconomic policies are being used?

	fiscal policy	monetary policy	supply-side policy
A	✓	x	x
B	✓	✓	x
C	✓	x	✓
D	x	x	✓