

- 29** A depreciation of the exchange rate of the pound sterling against the US dollar from £1 : \$1.50 to £1 : \$1.00 must mean that
- A** the pound will be undervalued.
 - B** US imports from the UK will become more expensive.
 - C** UK imports from the US will become cheaper.
 - D** dollars will become more expensive in terms of pounds.
- 30** Which policy would reduce a balance of payments deficit on the current account in the short run?
- A** a reduction in government subsidies to exporters
 - B** a reduction in the rate of interest
 - C** a rise in direct taxation
 - D** incentives to attract foreign capital