

- 28 Which combination of initial equilibrium and supply-side policy is likely to be **least** effective when attempting to increase the real output of an economy?

	initial equilibrium real output	supply-side policy measure
<b>A</b>	below full employment	abolition of national minimum wage
<b>B</b>	below full employment	extra spending on training
<b>C</b>	full employment	extra investment in infrastructure
<b>D</b>	full employment	reduction in the rate of income tax

- 29 A government aims to reduce unemployment through expansionary fiscal policy and borrows more from the commercial banks, increasing its borrowing requirement.

What will be the result?

- A** a decrease in the budget deficit
  - B** a decrease in the national debt
  - C** an increase in the balance of payments deficit on the current account
  - D** an increase in the interest rates
- 30 A government wants to use an expansionary monetary policy.

What should the government increase?

- A** credit regulations
- B** the exchange rate
- C** the interest rate
- D** the money supply