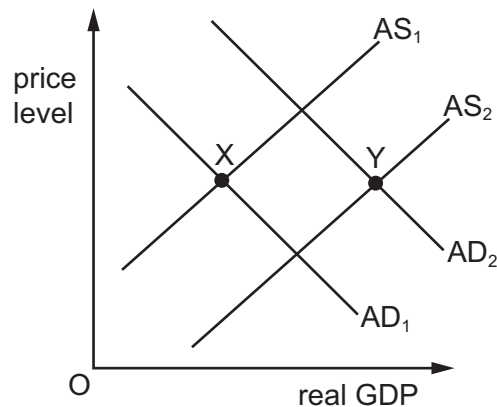


28 Which measure to correct a balance of payments current account deficit would be classified as an expenditure-reducing policy?

- A** a reduction in interest rates
- B** a revaluation of the currency
- C** an increase in direct taxes
- D** an introduction of foreign exchange controls

29 The diagram shows the AD / AS curves for an economy.



Which government action is most likely to cause the equilibrium position to move from X to Y?

- A** an increase in the exchange rate that makes locally produced goods less price-competitive, both at home and abroad
- B** an increase in government spending on infrastructure that increases the production potential of the economy
- C** an increase in interest rates that increases the cost of borrowing
- D** an increase in real wages of labour

30 A country is suffering from severe deflation.

What is most likely to prevent the deflation from worsening?

- A** increasing income tax to help reduce the government's budget deficit
- B** increasing interest rates to encourage more saving
- C** increasing transfer payments to reduce inequality of income
- D** revaluing the currency to bring in more revenue from exports