

- 25** What must be true if an economy is experiencing inflation?
- A** Aggregate demand is increasing.
  - B** Aggregate supply is decreasing.
  - C** The interest rate is increasing.
  - D** The real value of money is decreasing.
- 26** What is the **most** likely consequence of an appreciation in the value of the Malaysian ringgit?
- A** a decline in the level of unemployment in Malaysia
  - B** a fall in the rate of growth of the general price level in Malaysia
  - C** a reduction in the volume of imports into Malaysia
  - D** an improvement in the Malaysian balance of trade in services
- 27** Under which conditions will an appreciation of a floating exchange rate cause the current account of the balance of payments to worsen the most?

	price elasticity of demand for imports	price elasticity of demand for exports
<b>A</b>	0.4	0.4
<b>B</b>	0.4	0.6
<b>C</b>	0.6	0.4
<b>D</b>	0.6	0.6

- 28** An economy experiences cost-push inflation.

Which combination of policies would be best for the economy to use to reduce cost-push inflation?

	exchange rate	supply-side policy
<b>A</b>	appreciate	lower minimum wage
<b>B</b>	appreciate	raise minimum wage
<b>C</b>	depreciate	lower minimum wage
<b>D</b>	depreciate	raise minimum wage