

- 29** Possible policies a government might use to reduce a deficit on the current account of the balance of payments include devaluation, government spending cuts, interest rate rises and tariffs.

Which two policies would be classified as expenditure-reducing?

- A** devaluation and government spending cuts
 - B** government spending cuts and interest rate rises
 - C** interest rate rises and tariffs
 - D** tariffs and devaluation
- 30** Which policy, adopted by a government with the intention of reducing the rate of inflation, might cause a greater deficit on the balance of payments?
- A** higher foreign exchange rates for its currency
 - B** higher interest rates for domestic customers
 - C** higher subsidies to domestic producers
 - D** higher tax rates on consumer incomes