

23 Sweden had a change in its Consumer Prices Index (CPI) of -0.6% .

Which combination of policies might its government use to restore price stability?

- A** increase interest rates and increase indirect taxes
- B** increase interest rates and reduce government spending
- C** reduce government spending and increase income tax
- D** reduce interest rates and increase government spending

24 What is a disadvantage of operating a floating exchange rate system?

- A** It makes it difficult to prioritise domestic economic policy aims.
- B** It makes the prices of internationally traded goods less predictable.
- C** It means that the government must keep significant foreign currency reserves.
- D** It requires continuous government intervention in currency markets.

25 What is **not** an example of protectionism?

- A** export subsidies
- B** import subsidies
- C** quotas
- D** tariffs

26 Countries X and Y both produce goods M and N. They decide to specialise and trade freely in the goods.

Under which conditions are the gains from specialisation and free trade likely to be **smallest**?

	mobility of factors of production between goods M and N	mobility of factors of production between countries X and Y
A	high	high
B	high	low
C	low	high
D	low	low