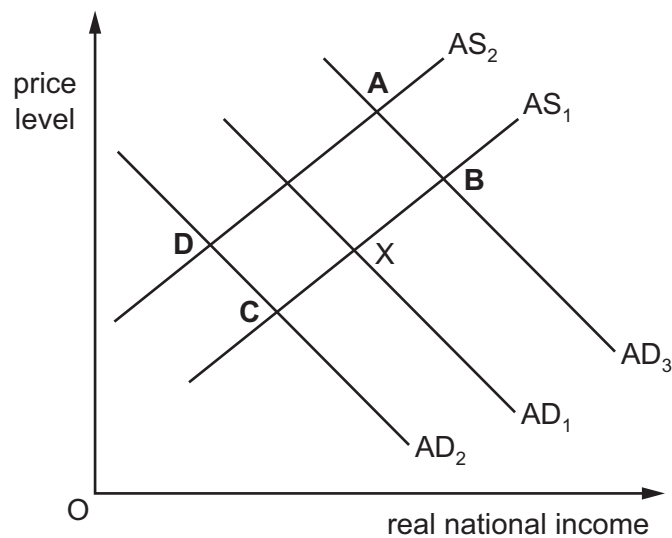


- 28** The government of a country plans to cut income tax rates. The initial equilibrium for the country is represented by point X on the diagram.

Which new equilibrium point would an economist predict as the result?



- 29** If an economy has a floating exchange rate, which policy could have an expansionary effect on national income with the smallest reduction of a current account surplus on the balance of payments?
- A** a reduction in income tax rates
  - B** a reduction in interest rates
  - C** government subsidies to individuals wanting loans for house purchases
  - D** increased government spending on transport infrastructure
- 30** Which combination of fiscal and monetary policies is most likely to be effective in the short run for tackling deflation in a closed economy?

	fiscal policy	monetary policy
<b>A</b>	increasing the budget deficit	reducing the interest rate
<b>B</b>	increasing the budget deficit	reducing the money supply
<b>C</b>	reducing the budget deficit	reducing the interest rate
<b>D</b>	reducing the budget deficit	reducing the money supply