

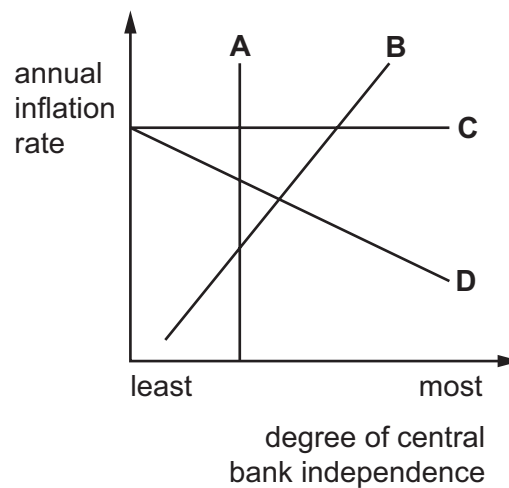
28 An economy has a balance of payments surplus, which it wishes to eliminate.

In order to achieve this objective, which combination of policies would be **most** appropriate?

- A a depreciation of the currency and an increase in government spending
- B an appreciation of the currency and a cut in interest rates
- C an increase in the money supply and a pay freeze
- D increases in both direct and indirect taxation

29 The diagram shows the possible relationships between the degree of independence of the central bank and the level of inflation.

Which relationship suggests that central bank independence is an effective way to reduce inflation?



30 Which change in economic circumstances is **most** likely to lead to a reduction in the rate of domestic inflation in an economy?

- A a depreciation in the currency
- B a reduction in the productivity of labour
- C a world-wide recession
- D an increase in direct taxes to finance increased welfare payments