

23 Which combination of problems would be most likely to cause a country's government to reduce taxation and lower interest rates?

- A** demand-pull inflation and a balance of payments current account deficit
- B** demand-pull inflation and a low level of investment
- C** high unemployment and a balance of payments current account deficit
- D** high unemployment and a low level of investment

24 What would be the best policy for a country to reduce a balance of payments deficit?

- A** an increase in interest rates
- B** an increase in the exchange rate
- C** a reduction in direct taxes
- D** a reduction in subsidies to domestic industry

25 A government wants to protect its textile industry from imports.

Which policy is likely to have the **least** impact on the import of textiles?

- A** a ban on the import of textiles
- B** a sales tax on all textiles sold in the country
- C** a tariff on the import of textiles
- D** all textiles sold in the country are required to meet minimum quality standards

26 A major European economy announced that the primary income account deficit of its balance of payments changed from \$20 billion to \$50 billion.

What would have contributed to this change?

- A** an increase in the value of imported medical supplies
- B** an increase in investment dividends paid to foreigners
- C** a reduction in the value of exported manufactured goods
- D** a reduction in the expenditure by visiting tourists