

**28** Monetary policy can be used to increase the level of business activity.

Which action illustrates this?

- A** curbing consumption through controls on credit
- B** lowering reserve requirements of banks to increase lending
- C** reducing government spending to achieve a budget surplus
- D** stimulating company investments by increasing interest rates

**29** When will a country's balance of payments current account deficit be reduced?

- A** when it lowers tariffs on its imports
- B** when it raises its rate of income tax
- C** when it removes export subsidies
- D** when it revalues its currency

**30** The diagram shows four possible aggregate supply curves and an equilibrium point X. A government employs deflationary fiscal policy in order to reduce the rate of inflation in its economy. This shifts aggregate demand to  $AD_2$ .

With which AS curve would this policy be most effective?

