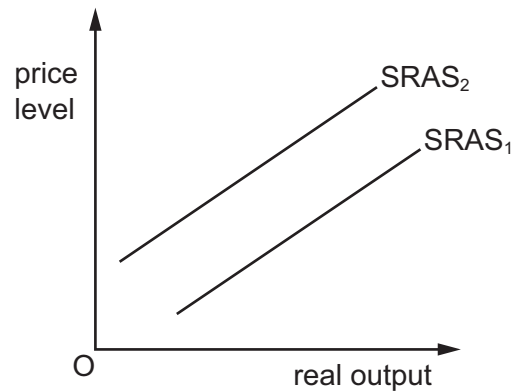


- 27** The diagram shows a shift in a country's short-run aggregate supply curve from $SRAS_1$ to $SRAS_2$. The country imports oil.



Why might an increase in the world price of oil have caused this shift?

- A** A rise in inflation is expected.
 - B** Consumers face a fall in their disposable income.
 - C** Domestic firms' costs have increased.
 - D** The government reduces tax on oil and petroleum products.
- 28** What, if decreased, will help to reduce the rate of inflation?
- A** budget deficit
 - B** direct taxes
 - C** exchange rate
 - D** interest rate
- 29** What is an example of contractionary fiscal policy?
- A** an increase in the budget deficit
 - B** an increase in the budget surplus
 - C** an increase in the interest rate
 - D** an increase in the money supply
- 30** A country with low unemployment and a managed floating exchange rate has a persistent current account deficit on its balance of payments.