

25 A company produces goods for export only.

Which change could cause a rise in the price of its goods while the quantity sold is unchanged?

	domestic workers' wages	foreign consumers' wages
A	unchanged	fall
B	fall	unchanged
C	fall	fall
D	rise	rise

26 Under which current conditions will supply-side policy measures be most likely to achieve a country's key macroeconomic goals?

	unemployment level	price level
A	high	stable
B	high	rising
C	low	stable
D	low	rising

27 Why might a government prefer to use floating exchange rates?

- A** It allows the government more independence in policy making.
- B** It encourages the government to build up its foreign exchange reserves.
- C** It eliminates the instability of free markets.
- D** It gives firms more confidence in future costs and prices.

28 What is **least** likely to rise as a result of the use of expansionary fiscal policy?

- A** aggregate demand
- B** budget surplus
- C** nominal income
- D** inflation