

**30** Country X is an open economy with a floating exchange rate. It changes to a fixed exchange rate.

Which combination of policy changes would be most effective in reducing inflation?

	fiscal policy	new fixed exchange rate
<b>A</b>	higher direct taxes	above purchasing power parity
<b>B</b>	higher direct taxes	below purchasing power parity
<b>C</b>	higher indirect taxes	above purchasing power parity
<b>D</b>	higher indirect taxes	below purchasing power parity