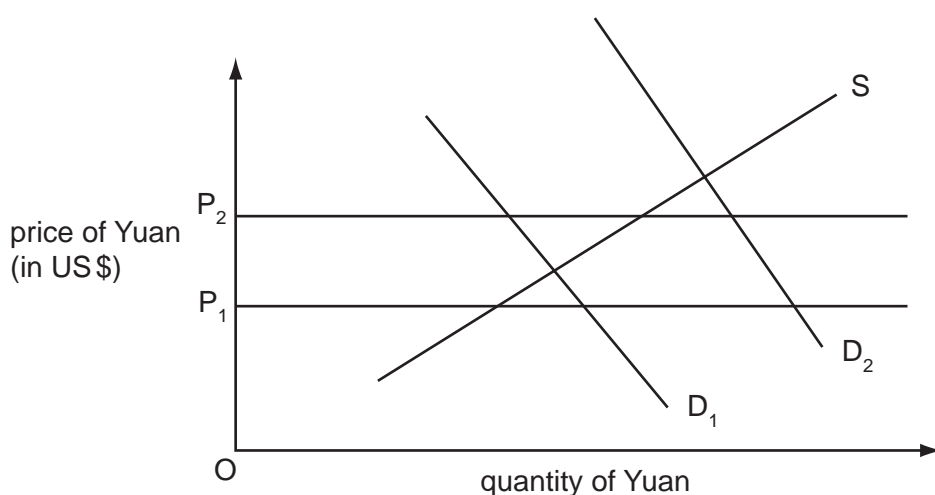


- 28 Assume the Chinese monetary authorities are committed to maintaining the exchange rate of China's currency the Yuan against the US\$ between P_1 and P_2 on the diagram.



What might they do if demand changed from D_1 to D_2 ?

- A Impose controls on Chinese investment overseas.
 - B Increase interest rates.
 - C Sell US\$ out of foreign exchange reserves.
 - D Sell Yuan on the foreign exchange markets.
- 29 In 2008 the Chinese government was under pressure from other countries to reduce its current account surplus on its balance of payments.

Which combination of Chinese measures would help to reduce China's current account surplus?

	Chinese rate of tariffs	Chinese subsidies to the country's exporters
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 30 What is the central problem for an economy?

- A to achieve maximum growth in production
- B to allocate resources between alternative uses