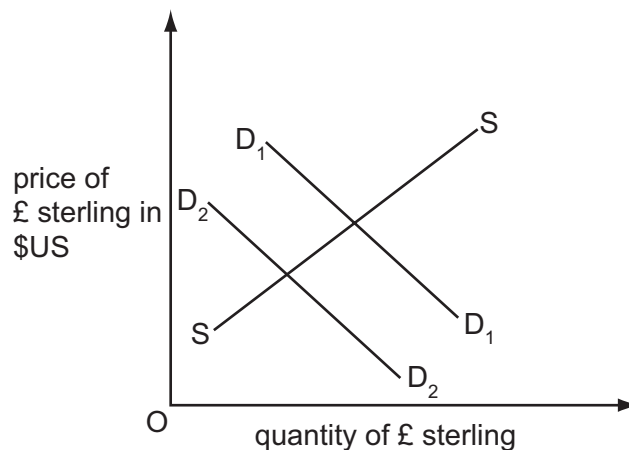
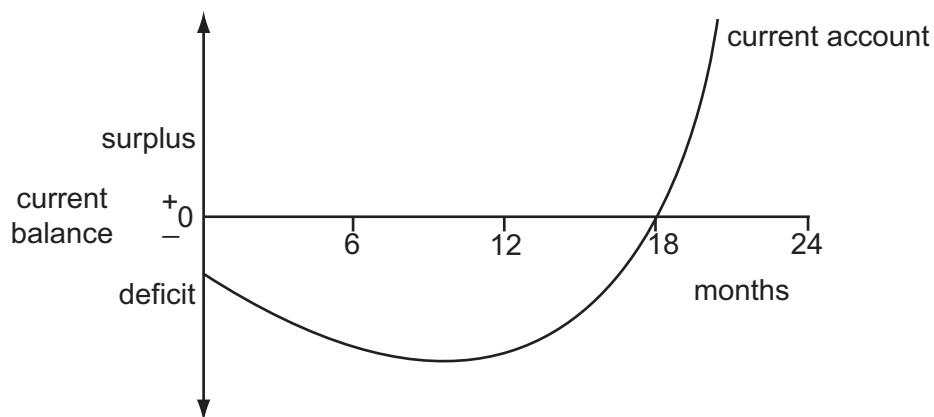


- 29** In the diagram, curves D_1D_1 and SS relate to the demand for and supply of £ sterling in the foreign exchange market.



What may cause the demand curve to shift from D_1D_1 to D_2D_2 ?

- A** an increase in UK interest rates
 - B** an increase in the price of US goods sold in the UK
 - C** the abolition of UK tariffs against US goods
 - D** the development of US substitutes for UK goods
- 30** A country at the beginning of a given period seeks to improve the current account of its balance of payments by devaluing its currency. The effect of this policy in the following two years is shown in the diagram.



Which of the following statements is likely to explain this performance?

- A** The elasticity of demand for imports diminished after 12 months.
- B** The domestic inflation rate fell after 12 months before having the desired result.