

**28** Which government policy will increase aggregate demand?

- A** raising indirect taxation
- B** reducing the budget surplus
- C** removing domestic subsidies
- D** removing import quotas

**29** What would be the best policy for a country to reduce a balance of payments deficit?

- A** an increase in interest rates
- B** an increase in the exchange rate
- C** a reduction in direct taxes
- D** a reduction in subsidies to domestic industry

**30** Country X is an open economy with a fixed exchange rate.

Which combination of fiscal and monetary policies would be most effective in reversing a deflation?

	fiscal policy	monetary policy
<b>A</b>	lower direct taxes	devaluation
<b>B</b>	lower direct taxes	revaluation
<b>C</b>	lower indirect taxes	devaluation
<b>D</b>	lower indirect taxes	revaluation