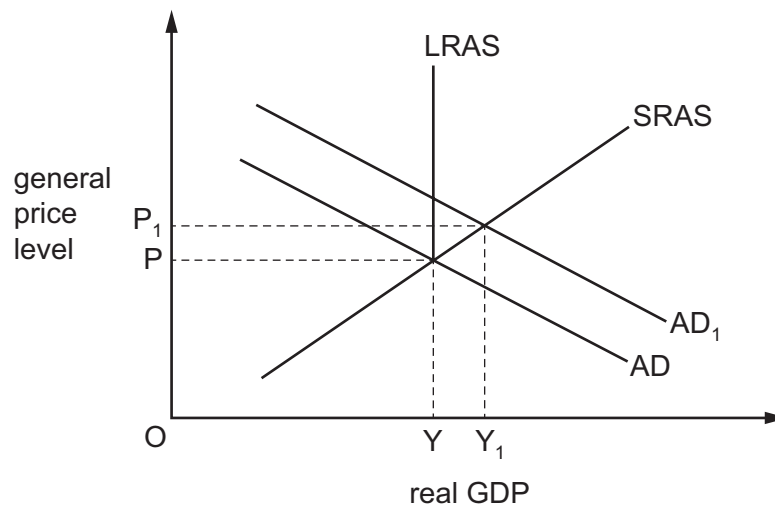


- 24** People in an economy become more optimistic about the future. This results in an increase in consumer expenditure which shifts the aggregate demand curve to the right, as shown.



What could cause the economy's output to return to Y?

- A** a decrease in indirect taxes
 - B** a decrease in tariffs on imports
 - C** an increase in investment
 - D** an increase in wage rates
- 25** Which statement about inflation is correct?
- A** Cost-push inflation is likely to occur when the government increases its expenditure.
 - B** Demand-pull inflation is likely to occur when the country's exchange rate appreciates.
 - C** The Quantity Theory of Money predicts that changes in money supply can cause inflation.
 - D** When inflation is unanticipated real values remain unchanged.
- 26** A country experienced an annual inflation rate of 4% for three successive years.
- Which statement is correct for the three-year period?
- A** The price level rose by 12%.
 - B** The price level rose by more than 12%.
 - C** The real value of money rose by 12%.
 - D** The real value of money rose by more than 12%.