

24 A government increases the rate of income tax.

What is the effect, in the short run, on the aggregate demand curve or the aggregate supply curve?

- A** The aggregate demand curve shifts left.
- B** The aggregate demand curve shifts right.
- C** The aggregate supply curve shifts left.
- D** The aggregate supply curve shifts right.

25 A country's current account deficit is larger this year than last.

What is the most likely reason for this increase?

- A** Demand for domestically produced goods has risen.
- B** Domestic inflation has risen faster than the inflation of its major trading partners.
- C** Domestic unemployment has risen.
- D** The exchange rate has depreciated.

26 Which supply-side measure is most likely to produce short-run growth in a country's aggregate supply?

- A** easing of controls on immigration of workers
- B** expenditure on primary education
- C** expenditure on research and development
- D** privatisation of public utilities

27 Which tax may a government use to reduce inequality?

- A** progressive income tax
- B** proportionate income tax
- C** proportionate indirect tax
- D** specific indirect tax