

- 29** Possible policies a government might use to reduce a deficit on the current account of the balance of payments include devaluation, government spending cuts, interest rate rises and tariffs on imports.

Which two policies would be classified as expenditure-switching?

- A** devaluation and government spending cuts
- B** government spending cuts and interest rate rises
- C** interest rate rises and tariffs on imports
- D** tariffs on imports and devaluation

- 30** In March 2014, Sweden had a change in its Consumer Price Index of -0.6% .

Which combination of policies might the government use to restore price stability?

- A** increase interest rates and increase indirect taxes
- B** increase interest rates and reduce government expenditure
- C** reduce government spending and increase income tax
- D** reduce interest rates and increase government expenditure