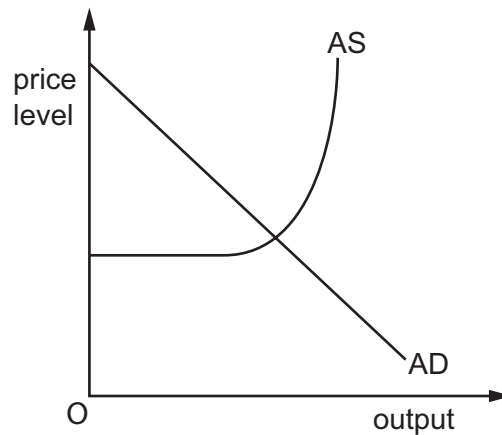


27 The diagram shows the current equilibrium of an economy.

The government introduces a contractionary monetary policy.



What is the most likely outcome?

- A** a fall in investment and a fall in inflation
- B** a fall in investment and a rise in inflation
- C** a rise in investment and a fall in inflation
- D** a rise in investment and a rise in inflation

28 A government wishes to reduce the deficit on the secondary income section of its current account.

Which policy would be most effective?

- A** an increase in subsidies to exporters
- B** an increase in the tariffs on imports
- C** a reduction in the number of migrant workers allowed into the country
- D** a reduction in overseas aid donations

29 Supply-side policies can be used to correct cost-push inflation.

Which policy would best achieve this aim in the long run?

- A** allowing trade unions to maintain work practices irrespective of productivity
- B** encouraging workers to work extra hours for extra pay
- C** increasing total labour supply by employing more unskilled workers
- D** supporting the replacement of labour-manned machines by the use of robots