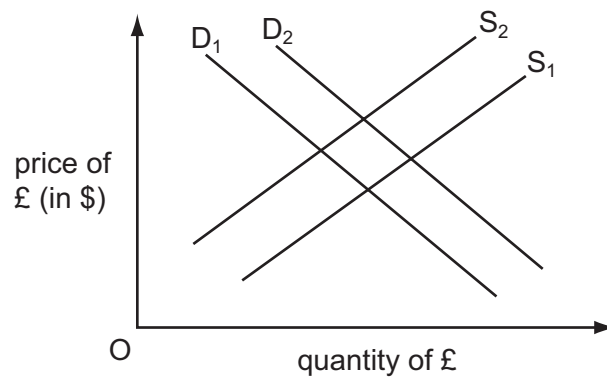


- 29 In the diagram  $D_1$  and  $S_1$  are the initial supply and demand curves of the pound sterling (£) on the foreign exchange markets.



What will cause the demand curve to shift to  $D_2$  and the supply curve to  $S_2$ ?

- A a depreciation of the pound sterling
  - B a decrease in UK interest rates
  - C an increase in the price levels of other countries
  - D an increase in the level of UK import tariffs
- 30 The currency of a country is fixed by the Central Bank at a certain value in terms of US dollars.
- If currency devaluation is not possible, which policy might be used to reduce a current account deficit on the balance of payments?
- A a decrease in interest rates
  - B a decrease in tax rates
  - C a decrease in tariffs on imports
  - D a decrease in public expenditure