

27 What combination is most likely to cause a surplus in a country's trade in goods and services?

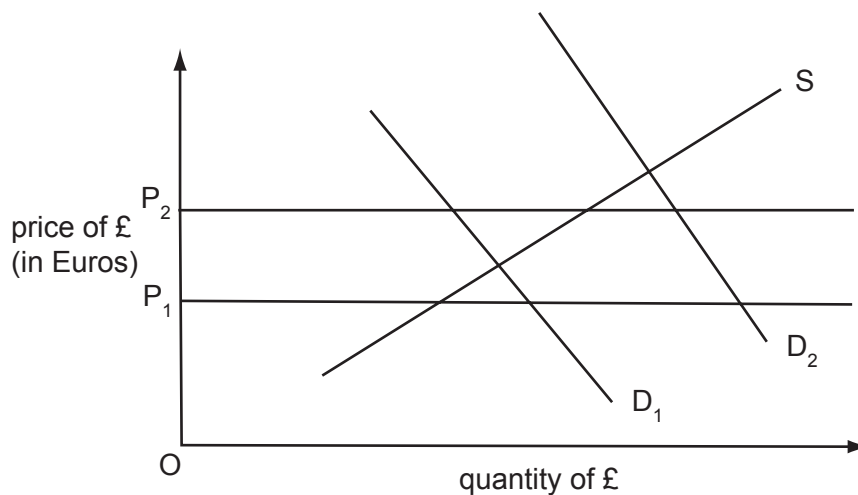
	inflation	currency
A	high	strong
B	high	weak
C	low	strong
D	low	weak

28 The demand for US imports in Japan is price-inelastic.

Assuming there is no change in their dollar price, what would be the effect of a depreciation in the yen on the total value of US goods imported into Japan?

	value measured in yen	value measured in \$
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

29 The British monetary authorities are committed to maintaining the exchange rate of the UK £ against the Euro between P_1 and P_2 on the diagram.



What might they do if demand changes from D_1 to D_2 ?

- A** impose controls on UK investment overseas
- B** increase interest rates
- C** sell Euros out of foreign exchange reserves
- D** sell £ on the foreign exchange markets