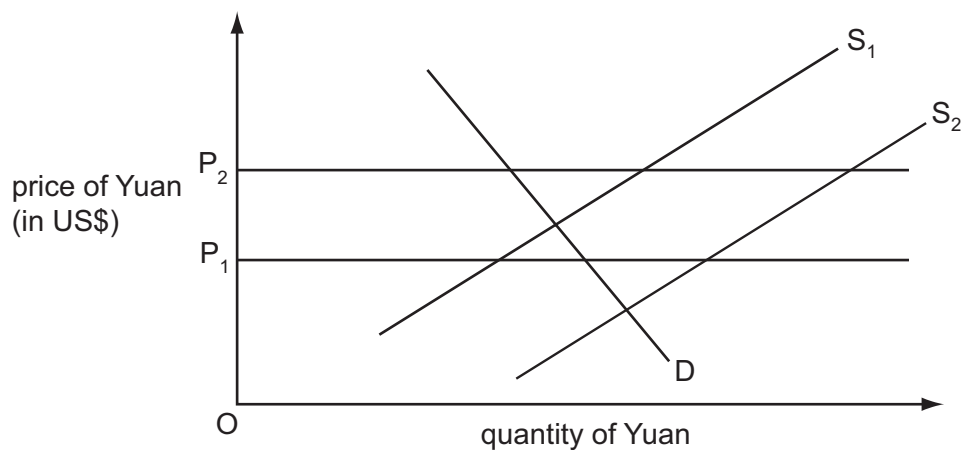


- 28 Assume the Chinese monetary authorities are committed to maintaining the exchange rate of China's currency, the Yuan, against the US\$ between P_1 and P_2 on the diagram.



What might they do if supply changed from S_1 to S_2 ?

- A introduce controls on Chinese investment overseas
 - B lower interest rates
 - C remove tariffs on imports from USA
 - D sell Yuan on the foreign exchange markets
- 29 A revaluation (appreciation) of the exchange rate of a currency always has the effect of
- A improving the current account of the balance of payments.
 - B improving the terms of trade.
 - C increasing the price of imports.
 - D increasing the value of imports.
- 30 What is an expenditure-switching policy measure?
- A decreasing income tax
 - B decreasing the money supply
 - C devaluing the currency
 - D increasing government spending