

**26** Which statement describes disinflation?

- A** a fall in the price level
- B** a fall in the rate of inflation
- C** a rise in the value of money
- D** inflation below zero

**27** In a closed economy a rise in aggregate demand is needed to increase output in the country.

What is necessary to achieve this increase in output in the economy?

- A** enough capacity to produce the extra goods and services demanded
- B** free trade to allow imports to make up any shortages in supply
- C** government spending to be less than tax revenue
- D** reduced credit to lower inflation

**28** A country with a fixed exchange rate and a deficit in the current account of its balance of payments enters a recession. It devalues its currency in an effort to correct its balance of payments.

Under which conditions is the deficit most likely to improve?

	price elasticity of demand for imports	price elasticity of demand for exports	income elasticity of demand for imports
<b>A</b>	0.3	0.5	0.8
<b>B</b>	0.4	0.8	0.8
<b>C</b>	0.3	0.5	1.2
<b>D</b>	0.4	0.8	1.2

**29** What is an example of fiscal policy aimed at increasing aggregate demand in an economy?

- A** increasing expenditure by firms on skills training programmes for unskilled workers
- B** increasing the commercial banks' lending ability
- C** reducing the rate of income tax for all income earners
- D** reducing the rate of interest on loans to manufacturing companies