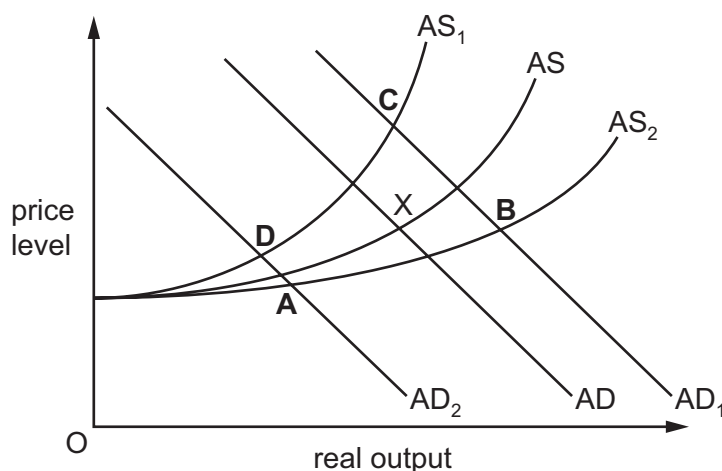


- 19 A government decided to reduce income tax and increase sales tax. The initial equilibrium point is shown by X on the aggregate demand (AD) and aggregate supply (AS) diagram.

What would be the equilibrium point after these tax changes?



- 20 The table gives data for an economy.

	2010	2011	2012	2013	2014
Gross Domestic Product (GDP) at current prices (\$ billion)	200	220	240	300	320
GDP deflator (price index)	100	109	125	149	154

In which year did real GDP decline compared with the previous year?

- A** 2011 **B** 2012 **C** 2013 **D** 2014
- 21 What always happens when there is an increase in the Consumer Price Index?
- A** an increase in consumer expenditure
B an increase in the cost of living
C a reduction in living standards
D a reduction in real disposable income
- 22 What would identify a country with a fundamental balance of payments disequilibrium?
- A** alternate annual deficits and surpluses in the current account
B a continually growing balancing item
C a large short-term outflow of foreign direct investment
D a persistent rise in foreign currency reserves