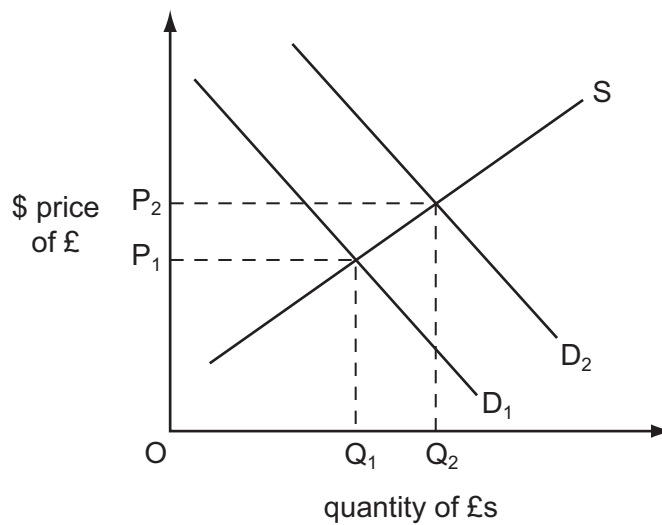


- 29 The diagram shows the supply and demand for pounds sterling (£) in the foreign exchange market with the initial US dollar (\$) price of the £ being OP_1 .



What will increase the \$ price of the £ to OP_2 ?

- A a large capital inflow into the UK
 - B a large deficit on the UK current account
 - C a reduction in interest rates in the UK
 - D a speculative sale of £s in the foreign exchange market
- 30 In which of the following circumstances will devaluation of the external value of a country's currency have the greatest beneficial effects on its balance of trade?
- A There is full employment in the country.
 - B The government has implemented expansionary fiscal policies.
 - C The demand for its imports is price-inelastic.
 - D There is a high price elasticity of demand for its exports.