

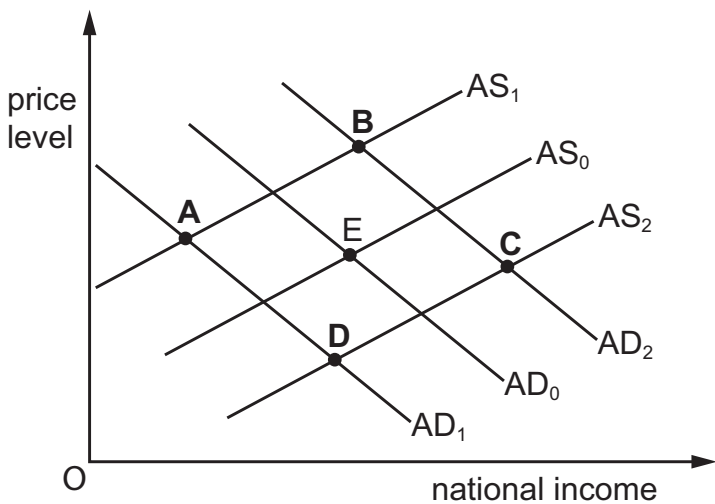
19 A country’s trade balance has worsened. The country has a fixed exchange rate.

Which additional changes for unemployment and price level are likely to follow?

	the level of unemployment	the price level
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

23 The diagram shows the aggregate demand, AD, and aggregate supply, AS, curves for an economy. The initial equilibrium is at point E. There is a revaluation of the exchange rate.

If the Marshall-Lerner rule applies, which point on the diagram would show the new long-run equilibrium?



21 Which combination shows the most likely outcome if a government increases the level of direct taxation?

- A balance of payments deteriorates and inflation increases
- B economic growth increases and balance of payments improves
- C inflation decreases and unemployment increases
- D unemployment decreases and balance of payments improves

21 What does the Phillips curve show?

- A** the relationship between economic growth and employment
- B** the relationship between inequality and income per capita
- C** the relationship between inflation and unemployment
- D** the relationship between prices and national income