23 A central bank increases interest rates to reduce inflation.

When will this policy be most likely to succeed?

A When household spending is inelastic in response to interest rate changes.

B When the country has a floating exchange rate that appreciates.

C When the government has an increasing budget deficit.

D When trade unions demand higher wages to protect the living standards of their members.

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19 A central bank is asked by the government to help achieve price stability.

If inflation rises steeply, which policy will **not** be directly within the control of the central bank?

A increasing the rate of interest to reduce consumer spending

B managing a reduction of the money supply

C using credit restrictions to regulate lending by commercial banks to households

D restricting wage increases in the private and public sectors

21 What is an example of expansionary monetary policy?

A the central bank increasing the money supply

B the central bank causing an appreciation of the country's foreign exchange rate

C the central bank increasing controls on credit lending

D the central bank increasing the minimum lending rate of interest

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22 An economy has both increasing imported raw material prices and demand-pull inflation.

Which combination of policies is most likely to help its government achieve its macroeconomic objective of price stability?

	budget deficit	exchange rate	rate of interest
A	decreases	depreciates	decreases
B	decreases	appreciates	increases
C	increases	depreciates	decreases
D	increases	appreciates	increases

21 What is likely to be an expansionary monetary policy?

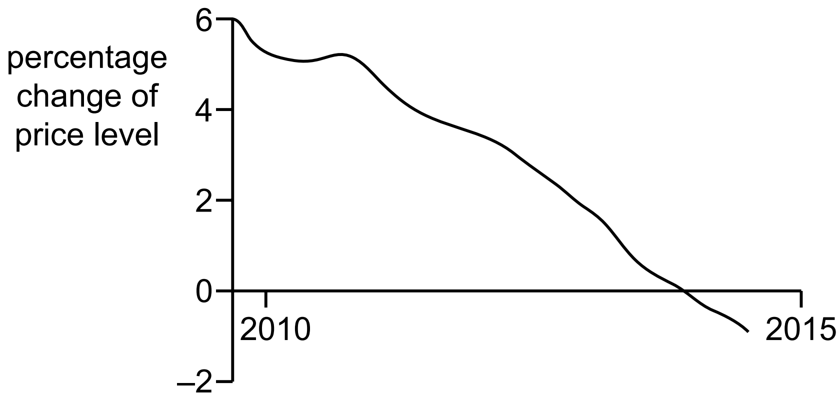
A a decrease in the availability of credit

B a decrease in the exchange rate

C an increase in government spending

D an increase in subsidies for training

23 In recent years an economy has experienced changes in its price level as shown.



Which government policy is most effective in reversing the trend shown in the price level?

A encourage firms to expand production through tax incentives

B introduce an incomes policy to directly control wage increases

C promote household savings by advertising saving schemes

D reduce interest rates and increase money supply