

15 In which situation is expansionary fiscal policy **least** likely to be effective?

- A inflation is below its target rate
- B lack of confidence in the economy
- C there is a negative output gap
- D unemployment is high

16 In these four diagrams, the money supply in an economy is initially at MS_1 and the demand for money is initially at LP_1 .

Which diagram shows the effect of a policy of quantitative easing on the rate of interest?

