Question 23 (Answer: **B**)

- Raising interest rates reduces inflation by cutting borrowing and spending.
- That only works if households and firms actually respond to the rate change.
- So the policy succeeds when spending is *elastic* with respect to interest rates, not inelastic.

A-Level Economics: **w25 12**

Question 19 (Answer: **D**)

- A central bank controls interest rates and the money supply.
- It does not control taxation or government spending – those belong to the government.
- So a fiscal measure is the one outside the central bank's direct control.

Question 21 (Answer: **A**)

- Expansionary monetary policy increases the money supply or lowers the cost of borrowing.
- Increasing the money supply directly is the clearest example.
- Causing the currency to appreciate would reduce demand for exports – that is contractionary.

A-Level Economics: **w25 14**

Question 22 (Answer: **B**)

- Imported raw material prices rising is cost-push inflation, which shifts AS left.
- Demand-pull inflation shifts AD right.
- So a policy mix must restrain demand while also raising capacity – contractionary demand policy plus supply-side measures.

A-Level Economics: **s25 12**

Question 21 (Answer: **B**)

- Expansionary monetary policy makes borrowing easier and cheaper, raising aggregate demand.
- Lower interest rates or greater credit availability both do that.
- Changing government spending is *fiscal* policy, not monetary.

A-Level Economics: **Specimen 1**

Question 23 (Answer: **D**)

- Read the sign of the percentage change: a *negative* value means the price level is falling.
- Falling prices are deflation, which calls for an expansionary policy.
- So the aim is to raise aggregate demand, not to restrain it.