3. Assume Malaysia's economy is in a recession and its government currently has a balanced budget.

(a) Identify a specific fiscal policy action that the government of Malaysia would implement to address the recession.

(b) How will the fiscal policy action identified in part (a) affect the real interest rate in Malaysia? Explain.

(d) As a result of the change in the value of the ringgit shown in part (c), will Malaysia's imports increase, decrease, or remain the same? Explain.

Begin your response to this question at the top of a new page in the separate Free Response booklet and fill in the appropriate circle at the top of each page to indicate the question number.

STOP

END OF EXAM