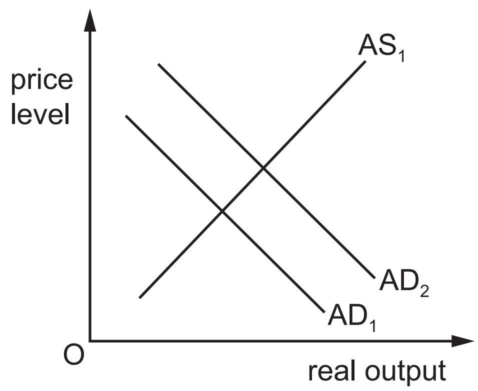
24 A country has a balance of payments deficit. It devalues its currency.

Which combination leads to a reduction in its balance of payments deficit in the long run?

	price elasticity of demand for exports	price elasticity of demand for imports
A	less than 0.5	less than 0.5
B	less than 1	zero (0)
C	more than 0.5	more than 0.5
D	zero (0)	less than 1

25 The diagram shows aggregate demand curves AD_1 and AD_2 and an aggregate supply curve AS_1.



What could cause the shift in the aggregate demand curve from AD_1 to AD_2?

A a rise in the interest rates

B a rise in output per worker

C a rise in the budget deficit

D a rise in the value of the exchange rate

26 The government of an open economy with an overvalued currency decides to abandon its fixed exchange rate in favour of a floating exchange rate.

Which macroeconomic policy aim is **least** likely to be met because of this change?

A a low inflation rate

B a low level of unemployment

C a reduced balance of payments deficit

D a sustainable rate of economic growth