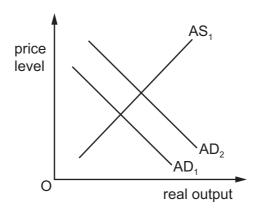
24 A country has a balance of payments deficit. It devalues its currency.

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
Α	less than 0.5	less than 0.5
В	less than 1	zero (0)
С	more than 0.5	more than 0.5
D	zero (0)	less than 1

25 The diagram shows aggregate demand curves AD₁ and AD₂ and an aggregate supply curve AS₁.



What could cause the shift in the aggregate demand curve from AD₁ to AD₂?

- 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