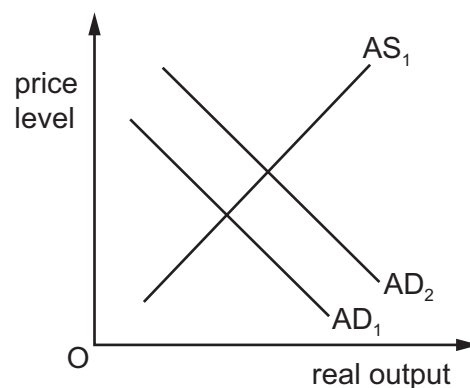


24 A country has a balance of payments deficit. It devalues its currency.

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