

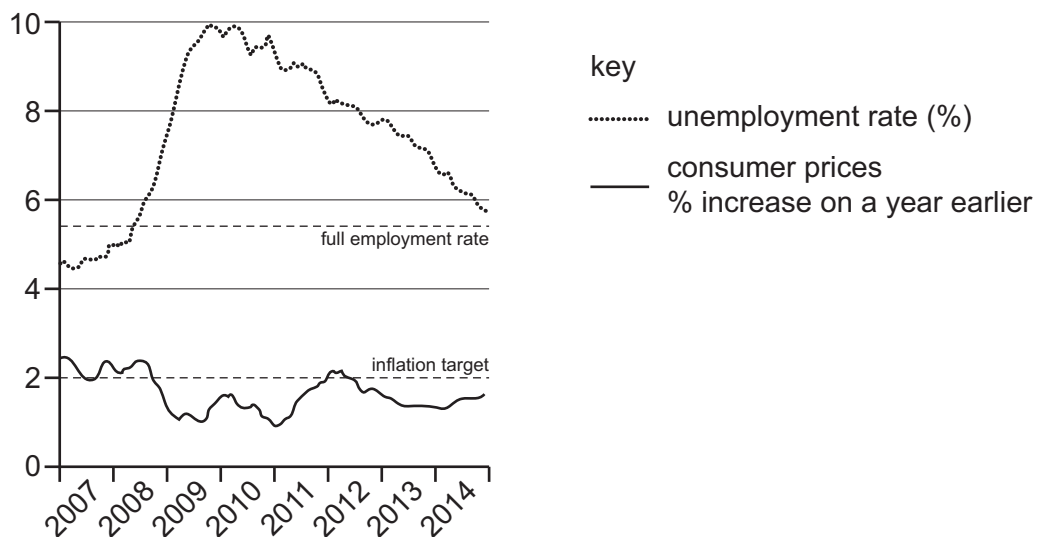
- 29 Policies to correct a balance of payments deficit fall into two categories: expenditure-dampening policies and expenditure-switching policies.

Which pair of policies are classified correctly?

	expenditure-dampening policy	expenditure-switching policy
A	an increase in the rate of income tax	devaluation of the currency
B	an increase in the rate of value added tax	the imposition of import quotas
C	devaluation of the currency	an increase in the rate of value added tax
D	the imposition of import quotas	an increase in the rate of income tax

- 30 The US Federal Reserve has a stable price (2% inflation) target and a full employment (5 to 5.2% unemployment) target.

The diagram shows the inflation rate and unemployment rate that existed between 2007 and 2014.



What can be concluded about the performance of Federal Reserve economic policy, 2007 to 2014?

- A** The continuing deflation meant failure in the inflation target.
- B** The inflation target was achieved less frequently than the employment target.