**“In 2014, the UK balance of payments had the worst deficit of any advanced country”. Evaluate the measures which may be taken to deal with a balance of payments deficit on current account (25 marks)**

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| **Government Policies to combat a current account deficit** | | | **ARGUMENT TO SUPPORT: Positive Evaluation Point**  (remember to use economic analysis and real life examples to back up and analyse your points) | **ARGUMENT TO EVALUATE: Negative Evaluation Point**  (remember to use economic analysis and real life examples to back up and analyse your points) |
| **Short Run Policies**  (affecting AD) | **Expenditure Reducing**  (i.e. reducing imports by cutting UK income) | **Deflationary Policies**  Tight monetary and fiscal policy (raising interest rates, increasing taxes and lowering Government spending) |  |  |
| **Expenditure Switching**  (i.e. getting UK citizens to switch from buying foreign products to buying UK products. Also to encourage foreigners to buy UK products) | **Devaluing Currency**  Lowering interest rates, selling reserves of currency on the FOREX |  |  |
| **Direct Controls**  Protectionism (implementing ‘tariffs’ and ‘quotas’ on goods and services coming into the country) |  |  |
| **Long Run Policies** (affecting LRAS) | **Improve Competitiveness and Productivity** | **Supply Side Policies**  Free Market – Privatisation (explain)  Interventionist – Subsidies for R+D; Better education and training |  |  |