

4 There are several policy measures a central bank or government can use to reduce unemployment. One policy measure a government could use to reduce unemployment is to increase its spending on building houses. The Federal Reserve, the central bank of the US, has two main aims. One is to maintain price stability and the other is to achieve full employment. Some central banks also have economic growth as a target, but none have HDI value as a target.

(a) Identify **two** policy measures a central bank could use to maintain price stability. [2]

(b) Explain **two** benefits to an economy of full employment. [4]

(c) Analyse how an increase in government spending on building houses could reduce unemployment. [6]

(d) Discuss whether or not an increase in a country's economic growth rate will increase its HDI value. [8]