

to be a method that they will use to cure the deficit. Also, trade unions won't like the use of cutting labour costs and lowering wages and it may also be illegal under some UK/EU law. Reducing the workers' pay can have negative effects on morale which may actually cause more absenteeism and lower productivity.

Another means that the current account deficit can be reduced is through protectionism. This is an expenditure switching policy which implies that the country is switching to cheaper products produced domestically, rather than purchasing imported goods. Examples of protectionism include tariffs and quotas which make it more desirable for people to purchase goods from their own country as they will now be cheaper due to the taxes on those from abroad. Therefore, demand for imports goes down and the trade deficit is reduced.

However, this can limit a country from becoming internationally competitive as they are isolating themselves from trading with other countries because they will not want to provide to them when they know that they will have a limit or not sell as much due to the taxes raising their prices. Additionally, it also depends on the PED and XED of the domestic and international goods. For example, if the PED of imported goods are inelastic ($PED > -1$), then people may still import like they previously had, despite there being a tariff on the item. Protectionism can also lead to tariff wars which means that exports could be harmed as the trading country retaliates and also puts tariffs on the other ones' goods.

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