

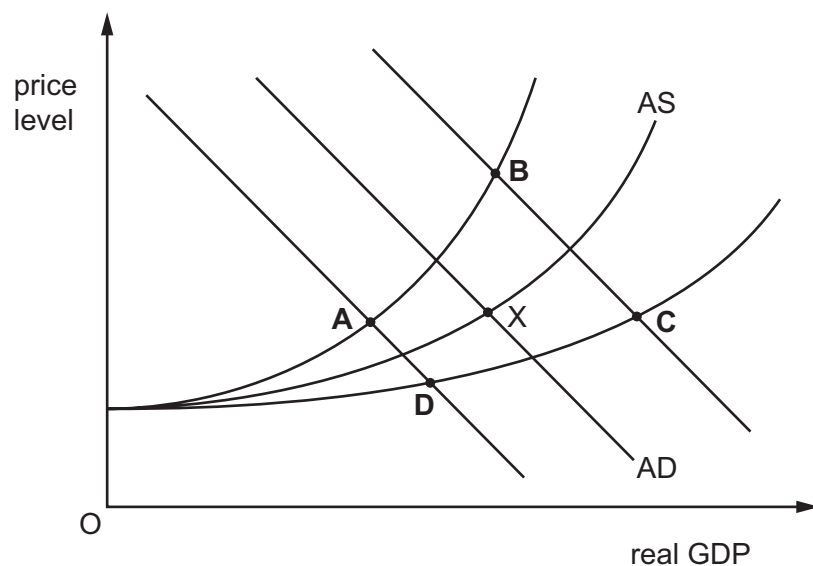
18 Which government action would be identified as the direct provision of goods and services?

- A** increasing road maintenance because of poor weather conditions
- B** making payments to low-income families with elderly dependants
- C** subsidising firms in order to encourage them to increase their output
- D** taxing firms because they have been emitting damaging fumes

19 In its 2016 budget statement, the South African government proposed stimulating business activity by the removal of regulations. It also announced that government expenditure was expected to grow by 7.1%.

The diagram shows aggregate demand (AD) and aggregate supply (AS) for the South African economy. X is the original equilibrium point.

Which new equilibrium would result from the changes?



20 What would be certain to cause a fall in a country's cost of living?

- A** a fall in real incomes
- B** a fall in the inflation rate
- C** a negative inflation rate
- D** a reduction in direct tax rates