

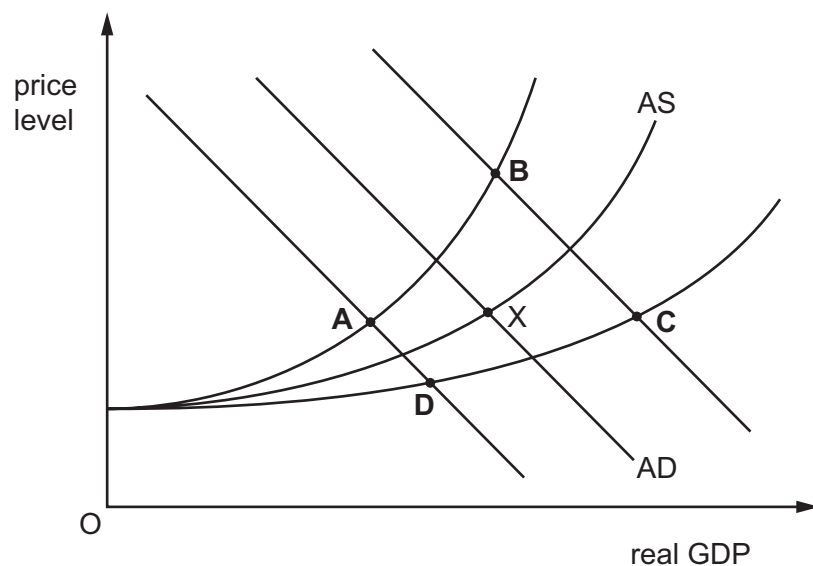
**18** Which government action would be identified as the direct provision of goods and services?

- 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