17 A government gives a subsidy to a producer of a product.

What will be the likely effect of this?

A a shift to the left in the demand curve and a rise in equilibrium quantity

B a shift to the left in the supply curve and a rise in equilibrium quantity

C a shift to the right in the demand curve and a fall in equilibrium price

D a shift to the right in the supply curve and a fall in equilibrium price

18 Which is the **most** appropriate reason for the continued government ownership of a natural monopoly?

A The government will guarantee competitive behaviour.

B The government will ignore any losses made by the monopoly.

C The government will maximise profits.

D The government will take account of external benefits.

19 When will the imposition of a tariff by a country on the goods and services of its major trading partners reduce the country's expenditure on imports?

A when the income elasticity of demand for imports is greater than 1

B when the price elasticity of demand for imports is greater than 1

C when the price elasticity of demand for imports is less than 1

D when the price elasticity of supply of imports is greater than 1

20 How will an increase in government spending on infrastructure affect aggregate demand and aggregate supply?

	aggregate demand	aggregate supply
A	decreases	increases
B	increases	decreases
C	increases	increases
D	stays the same	increases