

- 17 Which statement about transfer payments is correct?
- A Transfer payments are intended to reward productive economic activity.
  - B Transfer payments are only financed by government.
  - C Transfer payments may result in a disincentive to work.
  - D Transfer payments will include the sales of new cars.
- 18 What is the major problem associated with a government directly providing the correct amount of a public good?
- A competition from private producers
  - B estimation of demand
  - C increased trade diversion
  - D rivalry in consumption
- 19 An aggregate demand curve slopes downwards from left to right.
- One reason for this is that a reduction in the average price level will lead to
- A a decline in the country's international competitiveness.
  - B an increase in interest rates.
  - C an increase in the real value of money balances.
  - D the expectation of further price falls.
- 20 In the diagram an economy is initially in equilibrium at point X.

The government increases spending on education. This coincides with an increase in wage rate inflation.

Which point shows the most likely short-run equilibrium of the economy?

