

17 The table identifies items of government annual spending.

	\$ million
army pay	35
civil servants' salaries	125
farming subsidies	15
pension payments	75
welfare benefits	50

What is the total government expenditure on transfer payments?

- A** \$50 m **B** \$125 m **C** \$175 m **D** \$300 m

18 A subsidy is given to the producers of a good with perfectly elastic demand.

What will be the outcome?

- A** Consumer and producer receive equal amounts of subsidy.
B There will be no change in price; the incidence of the subsidy will fall on the producer.
C There will be a large increase in quantity consumed; the incidence of the subsidy will fall on the consumer.
D There will be no change in the quantity consumed; the incidence of the subsidy will fall on the consumer.

19 'Primary income' and 'secondary income' are components of the current account of the balance of payments.

What do these represent?

	primary income	secondary income
A	capital flows	financial flows
B	goods balance	services balance
C	income flows	current transfers
D	private flows	government flows