CBRT - 2020
Question Paper Grid

Government of Goa 10 October 2020

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Subjects Assistant Professor(Economics) ▼

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Assistant Professor(Economics)

Itemcode : **PE1112**

Q1 : 'Alice in Wonderland' the famous TV serial is based on a book written by

(a) Father Discoste
(b) Thomas Hardy
(c) Charles Dickens
(d) Lewis Caroll
Key: **D**

Itemcode : **PE1113**

Q2 : Who is the writer of 'Swamy and Friends'?

(a) Munshi Premchand
(b) Raman
(c) Max Muller
(d) R. K. Narayan
Key: **D**

Itemcode : **PE1114**

Q3 : Where is the National Institute of Virology situated?

(a) Pune
(b) Delhi
(c) Kolkata
(d) Madras
Key: **A**

Itemcode : **PE1115**

Q4 : The first nuclear reactor in India is

(a) Dhurva
(b) Harsha
(c) Vipula
(d) Apsara
Key: **D**

Itemcode : **PE1116**

Q5 : The first electric train of India 'Deccan Queen' was run between

(a) Howrah and Delhi
(b) Bombay and Surat
(c) Kalyan and Pune
(d) New Delhi and Madras
Key: **C**

Itemcode : **PE1117**

Q6 : To which of the following country Olympic Airways belong?

(a) France
(b) Greece
(c) Hong Kong
(d) Indonesia
Key: **B**

Itemcode : **PE1118**

Q7 : Tiruchirapalli is situated on river

(a) Cauvery
(b) Tapti
(c) Krishna
(d) Ganga
Key: **A**

Itemcode : **PE1119**

Q8 : The total number of members of UN Security Council is

(a) 5
(b) 10
(c) 15
(d) 20
Key: **C**

Itemcode : **PE1120**

Q9 : What plaything was invented by Joe McVicker in 1956?

(a) Silly Putty
(b) Etch-A-Sketch
(c) Lite-Brite
(d) Play-Doh
Key: **D**

Itemcode : **PE1121**

Q10 : Who invented Internal Combustion Engine?

(a) Roger Bacon
(b) Karl Benz
(c) Alan M. Turing
(d) Otto
Key: **D**

Itemcode : **PE1122**

Q11 : A study of six patients who all suffer from a rare form of cancer revealed that though they all live in different locations in the county and have quite different medical histories, diet, and personal habits-two smoke cigarettes and three drink alcoholic beverages-they are all employed at a company that manufactures herbicides and pesticides. From this study it can be concluded that exposure to the chemicals produced by the company is the probable cause of the disease. The method of reasoning used by this argument is:

(a) Isolating a common feature through a process of elimination and concluding that this feature is causally related to the event under investigation.
(b) Reaching a general conclusion on the basis of the experiences of the six patients.
(c) Providing information that allows the application of a general claim to a specific case.
(d) Indirectly showing that exposure to the chemicals produced by the company is the likely cause by demonstrating that none of the other alternatives is the cause.
Key: **B**

Itemcode : **PE1123**

Q12 : The average annual salary for executives at World-Wide Travel last year was $55,000, while the average salary for travel consultants was $47,000. The average annual salary for all employees was $38,000.
If the above information is correct, which one of the following conclusions can be properly inferred from it?

(a) There were fewer executives than travel consultants at World-Wide Travel last year.
(b) No travel consultants earned more than an executive last year.
(c) There was at least one employee who earned less than the average for a travel consultant.
(d) Some travel consultants earn more than the lowest paid executives.
Key: **C**

Itemcode : **PE1124**

Q13 : A recipe for cooking potatoes states that potatoes should be cooked in boiling water for 20 minutes to be properly prepared. This holds only for potatoes that have been diced into one-inch cubes-smaller cubes would require proportionately less cooking time and larger ones proportionately more. It is important that potatoes not be overcooked, since this greatly diminishes their food value. Undercooking also should be avoided because undercooked potatoes cannot be properly digested.
If the above statements are true, which of the following conclusions is most strongly supported?

(a) Whole potatoes, when properly cooked, cannot be properly digested.
(b) Potatoes that are diced into one-half-inch cubes and cooked in boiling water for 20 minutes will likely have little food value.
(c) Potatoes that are properly digestible must be cooked in boiling water for at least 20 minutes.
(d) Boiling in water is the only method of cooking potatoes that will ensure high food value and proper digestibility.
Key: **B**

Itemcode : **PE1125**

Q14 : Analytic propositions provide no information about any matter of fact. This applies to all analytic propositions. In other words, they are entirely devoid of information about the world. It is for this reason that no empirical evidence can refute them.
Which of the following must be assumed for the above argument's conclusion to be properly drawn?

(a) The truth or falsity of analytic propositions cannot be determined by empirical evidence.
(b) Analytic propositions are neither true nor false.
(c) Analytic propositions are completely uninformative.
(d) Empirical evidence can only refute propositions that provide information about matters of fact.
Key: **D**

Itemcode : **PE1126**

Q15 : The Philadelphia Eagles are given 7 to 2 odds of winning the NFC championship. The New England Patriots are given 8 to 3 odds of winning the AFC championship. Therefore, the Eagles and the Patriots will meet in the Super Bowl. The conclusion follows from the argument with a probability of :

(a) .57
(b) .47

(c) .67
(d) 77
Key: **A**

Itemcode : **PE1127**

Q16
:
If 'relftaga' means carefree, 'otaga' means careful and 'fertaga' means careless, which of the following could mean 'aftercare'?

(a) zentaga
(b) tagafer
(c) tagazen
(d) relffer
Key: **C**

Itemcode : **PE1128**

Q17
:
What will be the next letter in the following series?
DCXW, FGVU, HGTS

(a) AKPO
(b) JBYZ
(c) JIRQ
(d) LMRS
Key: **C**

Itemcode : **PE1129**

Q18
:
A paragraph is given from which the last sentence has been deleted. From the given options, choose the one that completes the paragraph in the most appropriate way.

In an unsupported expedition, North Pole travellers must ski, snowshoe, swim, and climb, all while towing a 300-pound sled of supplies approximately 480 miles, which takes about 50 to 70 days. There are mounds of ice as big as houses to get over and stretches of 30-degree water to traverse, which travellers swim across wearing a full-body rubber suit. Air temperatures often hover around 40 degrees below zero.

(a) "The future of skiing to the North Pole is dim."
(b) "It's the most difficult expedition on the planet that nobody really knows about," says Larsen.
(c) During a 2007 expedition, Weber walked for 10 to 12 hours a day, but because the ice he was on was drifting south, he stayed in virtually the same spot.
(d) Further complicating the matter, the weather window for reaching the North Pole is short-and getting shorter every year-lasting from early March to early May, when the harshest temperatures of winter abate and the summer melt cycle is just beginning,
Key: **B**

Itemcode : **PE1130**

Q19
:
A paragraph is given from which the last sentence has been deleted. From the given options, choose the one that completes the paragraph in the most appropriate way.

One thing I remember is that I never saw my father running. This odd fact came to me one day recently when I was sprinting for a train, and I brooded on it for a long time afterwards. He must have run, of course, sometimes and on some necessary occasions, but if he did, and if I saw him, I have no memory of it. His life, moving at an even and unruffled pace, was limited on all sides by the circumstances of his time, his class and his age.

(a) Perhaps I am being patronising by thinking my father's life monotonous.
(b) For him, as for so many of his class and time, life had its fixed phases: childhood, the brief flowering of adolescence, then adulthood, marriage and the long plateau stretching to retirement.
(c) To me they seemed, until their final years, to be of an indeterminate age, creatures essentially of a different species, permanent and unchanging, simply there.
(d) Thinking back on the lives of one's parents and making comparisons with one's own life can be a dizzying exercise.
Key: **D**

Itemcode : **PE1131**

Q20
:
The given text is followed by four alternative summaries. Choose the option that best captures the essence of the text.

New mobile networks come along once every decade or so. Starting around 1980, the first generation of cellular phones relied on analogue technology. When the second-generation arrived in 1991, the networks began to go digital. By 2001, the third-generation swapped clunky old circuit-switching with efficient packet-switching. Around 2010, fourth-generation networks adopted IP technology in a big way, providing mobile devices with broadband access to the internet. What to expect from 5G? At this stage, one of the few things that can be said about 5G with certainty is that-if it is to meet society's growing demands for ubiquitous and instantaneous connectivity-such networks will need to have a response time of about one millisecond.

(a) The generational changes in mobile networks have been brought about as an answer to the growing demands of society. 5G is the future of mobile networks as it will change how people use mobiles.
(b) Mobile networks see a change after each decade and this change is in line with the expectation of society. 5G is what people will be using in the future.
(c) Each generational change in mobile networks has seen additions to the various basic features for which mobiles are used. The future now is 5 G which will bring instant connectivity to the fore.
(d) Mobile networks are constantly upgraded with introduction of new technology. 5G is the future of mobile networks right now.
Key: **D**

Passage:
Everything except the truth wears, and needs to wear, a mask. Little souls are ashamed of nature. Prudery pretends to have only those passions that it cannot feel. Moral poetry is like a respectable canal that never overflows its banks. It has weirs, through which, slowly any excess of feeling is allowed to flow. It makes excuses for nature, and regards love as an interesting convict. Moral art paints or chisels feet, faces or rags. It regards the body as obscene. It hides behind with drapery, that which

it has not the genius purely to portray. Mediocrity becomes moral from a necessity which it has the impudence to call virtue. It pretends to regard ignorance as the foundation of purity, and insists that virtue seeks the companionship of the blind.

Itemcode : **PE1132**

Q21 : It is suggested in the above passage that the morality of mediocrity is based upon

(a) impudence
(b) virtue
(c) necessity
(d) purity
Key: **C**

Itemcode : **PE1133**

Q22 : "Everything except the truth wears, and needs to wear, a mask". The above statement implies that

(a) Everything wears or needs a mask
(b) Truth needs to wear a mask
(c) Truth never wears or needs a mask
(d) Everything does not need a mask.
Key: **C**

Itemcode : **PE1134**

Q23 : From the options given below, select the one that best explains the following statement form the passage: "that which it has not the genius purely to portray".

(a) feet, faces, rags
(b) obscene body
(c) mediocrity
(d) nudity of the body
Key: **D**

Itemcode : **PE1135**

Q24 : The phrase "little souls" in the passage means

(a) petty individuals
(b) prudes
(c) adolescent artists
(d) moralists
Key: **A**

Itemcode : **PE1136**

Q25 : Identify the odd part of speech from the following terms in the passage: "prudery; obscene; virtue; impudence

(a) virtue
(b) prudery
(c) virtue
(d) obscene
Key: **D**

Itemcode : **PE1061**

Q26 : An individual firm's monopsony power will be lowest when there exists

(a) low competition among sellers, number of sellers is high
(b) low competition among sellers, number of sellers is low
(c) high competition among sellers, number of sellers is high
(d) high competition among sellers, number of sellers is low
Key: **B**

Itemcode : **PE1062**

Q27 : By farming out the printing process a publisher can reduce its vulnerability to macroeconomic trends because in doing so:

(a) The proportion of fixed costs in the total costs is reduced.
(b) The income elasticity on the end market of the publisher increases.
(c) The income elasticity on the end market of the publisher decreases.
(d) The capital intensity of the firm is increased.
Key: **A**

Itemcode : **PE1063**

Q28 : Which of the following is most sensitive to business cycle downturns?

(a) durable consumer goods
(b) non-durable consumer goods
(c) Services
(d) Exports
Key: **A**

Itemcode : **PE1064**

Q29 The exchange rate system followed in India is based on
:

(a) flexible exchange rate mechanism
(b) managed float exchange rate mechanism
(c) fixed exchange rate exchange rate mechanism
(d) None of the above
Key: **B**

Itemcode : **PE1065**

Q30 The Rupee will not depreciate against the dollar when
:

(a) India allows imports of gold
(b) Electric vehicles replace petrol and diesel variants
(c) there is global recession
(d) Donald Trump introduces a policy of No work-visas for Indians
Key: **B**

Itemcode : **PE1066**

Q31 If the rate of tax on income is 20 percent, the marginal propensity to consume is 0.80, and imports are 10 per cent of
: national income, then the simple expenditure multiplier is

(a) 1.428
(b) 1.250
(c) 2.000
(d) 5.000
Key: **C**

Itemcode : **PE1067**

Q32 A firm's total cost function is given by: $C = 300 + 10Q + Q^2$. At Q = 20,
:

(a) Total cost is 900 and marginal cost is 50.
(b) Average fixed cost is 15.
(c) Fixed cost is 300.
(d) All of the above answers are correct.
Key: **D**

Itemcode : **PE1068**

Q33 The features of Money Market is/ are:
: 1. Money Market is a short-term funds market
2. The maturity in market ranges from overnight to one year
3. The basic function of money market is to provide efficient liquidity position for
commercial banks, financial institution, mutual funds, insurance companies and
corporate, etc.
4. None of the above
Select the correct answer from following options:

(a) Only 1 and 2
(b) 1,2 and 3
(c) Only 3
(d) 4.
Key: **B**

Itemcode : **PE1069**

Q34 The initial price for a normal good is Rs 5.00, and the quantity demanded is 400 units. When the price is raised to
: Rs.5.50, what is the quantity demanded if the point price elasticity of demand is unitary:

(a) 360
(b) 400
(c) 440
(d) 550
Key: **A**

Itemcode : **PE1070**

Q35 The demand curve for an oligopolistic firm slopes downward with a kink because
:

(a) Firms are not responsive to price cuts but are responsive to price hikes by their rivals
(b) Firms are responsive to price cuts but not price hikes by their rivals
(c) The firm is a price leader in the market
(d) The firm is a cartel number
Key: **B**

Itemcode : **PE1071**

Q36 In the context of the micro,small, and medium enterprises(MSME)sector in India, which among the following is/are the
: correct criteria for declaring an enterprise as "micro"?
1. The investment in plant and machinery does not exceed Rupees 25 lakh.
2. The enterprise should fall in the category of manufacturing sector and not in service
sector.
Select the correct answer using the codes given below :

(a) 1 only
(b) 2 only

(c) Both 1 and 2
(d) Neither 1 nor 2
Key: **A**

Itemcode : **PE1072**

Q37 A demand switching policy to improve the trade position could involve
:

(a) Higher interest rates
(b) Higher income tax
(c) Tariffs
(d) Reduced government spending
Key: **C**

Itemcode : **PE1073**

Q38 Which of the following statements is never true?
:

(a) Indifference curves are concave to the origin
(b) Indifference curves are L-shaped
(c) Indifference curves are convex to the origin
(d) Indifference curves are parallel to each other
Key: **A**

Itemcode : **PE1074**

Q39 In a floating exchange rate system:
:

(a) the balance of payments will always equal the government budget
(b) the balance of payments should always be in surplus
(c) the government intervenes to influence the exchange rate
(d) the exchange rate should adjust to equate the supply & demand of the currency
Key: **D**

Itemcode : **PE1075**

Q40 The factors considered by credit rating agencies on issuing bonds are
:

(a) position in the industry
(b) overall financial strength
(c) issuer's profitability and liquidity
(d) all of the above
Key: **D**

Itemcode : **PE1076**

Q41 The transmission mechanism of the monetary policy specifies the channel through which
:

(a) Investment affects economic activity
(b) Money supply affects interest rate
(c) Interest rate affects national income
(d) Money supply affects economic activity
Key: **D**

Itemcode : **PE1077**

Q42 According to the Office of National Statistics, a husband who chooses to stay home and take
: care of the household is

(a) employed.
(b) not in the labour force.
(c) a discouraged worker.
(d) Is unemployed.
Key: **B**

Itemcode : **PE1078**

Q43 If the marginal product of labor is higher than the average product of labor, then the
:

(a) Marginal product must be increasing,
(b) Average product must be increasing
(c) Marginal product must be decreasing
(d) Both A and B
Key: **B**

Itemcode : **PE1079**

Q44 The demand for jewelry increases in the festive season. In anticipation of the increase in demand during the festive
: season, the jewelry manufacturers also increase their production. What would happen to price of jewelry and quantity
of jewelry sold during the festive season?

(a) Effect on price of jewelry and quantity of jewelry sold is ambiguous
(b) Both price of jewelry and quantity of jewelry sold would decrease
(c) Quantity of jewelry sold would increase but effect on price of jewelry is ambiguous
(d) Quantity of jewelry sold would remain same but price of jewelry would increase
Key: **C**

Itemcode : **PE1080**

Q45 : There are two goods, tea and coffee. The price of tea changes from Rs.4 to Rs.5, the price of coffee changes from Rs.10 to Rs.11, the quantity demanded of tea changes from 5 to 6 kilograms and the quantity demanded of coffee changes from 3 to 4 kilograms. What is the cross price elasticity of demand for tea with respect to the price of coffee?

(a) 5
(b) 2
(c) 3.33
(d) -2
Key: **B**

Itemcode : **PE1081**

Q46 : In the context of India's Five-Year Plans, growth led by 'commanding heights' of the economy was adopted in:

(a) Fourth plan
(b) Sixth plan
(c) First plan
(d) Second plan
Key: **D**

Itemcode : **PE1082**

Q47 : Which of the following is a normative statement in economics?

(a) More spending by the government will reduce poverty
(b) Higher taxes will lead to less desire to work
(c) The UK economy is growing fast relative to other European Union members
(d) The government should concentrate on reducing unemployment
Key: **D**

Itemcode : **PE1083**

Q48 : Which of the following measures is most used during a bumper harvest for the welfare of the farmer?

(a) Minimum Support Price on agricultural crops
(b) Fertilizer subsidy
(c) Interest subsidy on agricultural loans
(d) Price Ceiling on food products
Key: **A**

Itemcode : **PE1084**

Q49 : If a fall in government expenditure by Rs 100 crores causes equilibrium income to fall by Rs.400 crores in the simple Keynesian model, then the marginal propensity to consume must be

(a) 0.1
(b) 0.4
(c) 0.75
(d) 0.25
Key: **C**

Itemcode : **PE1085**

Q50 : If the value of a price index was 250 for 2019 and 100 for 1999, and GDP was 2500 in 2019 compared to 600 in 1999, the value of real 2019 GDP in terms of 1999 prices is

(a) 1500
(b) 2500
(c) 1000
(d) 1900
Key: **C**

Itemcode : **PE1086**

Q51 : Harrod's constant capital output ratio emanates from:

(a) Fixed input proportions
(b) No technological progress
(c) Constant rate of interest
(d) Absence of economies of scale in production
Key: **B**

Itemcode : **PE1087**

Q52 : An economy is at the 'take off' stage on its path to development when it

(a) Becomes stagnant
(b) Is liberalized
(c) Begins steady growth
(d) Gets maximum foreign aid
Key: **C**

Itemcode : **PE1088**

Q53 Products can be differentiated on basis of

:

(a) Conformance and performance quality
(b) Durability and style
(c) Reliability and repair-ability
(d) All of the above
Key: **D**

Itemcode : **PE1089**

Q54 Without taking into account the feedback effects, and based only on general equilibrium analysis what would be the
: impact of floods completely ruining the rice crop in Goa?

(a) price of rice rises and price of wheat rises
(b) price of rice rises and price of wheat falls
(c) price of rice falls and price of wheat falls
(d) price of rice falls and price of wheat rises
Key: **A**

Itemcode : **PE1090**

Q55 Which of the following best demonstrates the problem of moral hazard?
:

(a) Person 1 does not purchase health insurance because the premium is too high and she is healthy.
(b) A life insurance provider forces Person 2 to undergo medical examination prior to selling him insurance.
(c) Person 3 drives more recklessly after he buys car insurance.
(d) Person 4 has an undetected medical condition and purchases insurance.
Key: **C**

Itemcode : **PE1091**

Q56 An increase in the prevailing interest rate
:

(a) increases the present value of future returns from investment, and increases investment.
(b) decreases the present value of future returns from investment, and decreases investment.
(c) decreases the present value of future returns from investment, and increases investment.
(d) increases the present value of future returns from investment, and decreases investment.
Key: **B**

Itemcode : **PE1092**

Q57 If the efficient markets hypothesis is true, then
: a. shares tend to be overvalued.
b.

(a) shares tend to be overvalued.
(b) the stock market is informationally efficient so share prices should follow a random walk.
(c) all of these answers
(d) fundamental analysis is a valuable tool for increasing one's returns from investing in shares.
Key: **B**

Itemcode : **PE1093**

Q58 Intermediate goods are not included to calculate the final output because:
:

(a) They do not have value
(b) They have unknown value
(c) Their value is included in final goods so they are not added to avoid the problem of double counting
(d) None of the above
Key: **C**

Itemcode : **PE1094**

Q59 An increase in the budget deficit that causes the government to increase its borrowing
:

(a) shifts the supply of loanable funds to the right.
(b) shifts the demand for loanable funds to the left.
(c) shifts the demand for loanable funds to the right.
(d) shifts the supply of loanable funds to the left
Key: **C**

Itemcode : **PE1095**

Q60 If the supply of loanable funds is very inelastic, which policy would likely increase saving and investment the most?
:

(a) a reduction in the budget deficit
(b) an increase in the budget deficit
(c) an investment tax credit
(d) none of these answers
Key: **A**

Itemcode : **PE1096**

Q61 An increase in expected inflation
:

(a) shifts the short-run Phillips curve downward and the unemployment inflation trade-off is less favourable.
(b) shifts the short-run Phillips curve upward and the unemployment inflation

trade-off is more favourable.
(c) shifts the short-run Phillips curve downward and the unemployment inflation trade-off is more favourable
(d) shifts the short-run Phillips curve upward and the unemployment
inflation trade-off is less favourable.
Key: **D**

Itemcode : **PE1097**

Q62 Which of the following statements is correct
:

(a) An extremely small p-value indicates that the actual data is different significantly from the expected if the null hypothesis is true.
(b) The p-value measures the probability that the hypothesis is true
(c) The p-value measures the probability of making a Type II error
(d) The larger the p-value, the stronger the evidence against the null hypothesis
Key: **A**

Itemcode : **PE1098**

Q63 Which of the following policy actions by a central bank is likely to increase the money supply?
:

(a) Increasing the refinancing rate.
(b) All of these will increase the money supply.
(c) Buying government bonds in open market operations.
(d) Increasing reserve requirements.
Key: **C**

Itemcode : **PE1099**

Q64 The reliability of an estimator is assessed in terms of its,
:

(a) Mean
(b) Variance
(c) Coefficient of Variation
(d) Ease of computation
Key: **B**

Itemcode : **PE1100**

Q65 The standard error of regression is,
:

(a) An estimate of standard deviation of the regression error term
(b) Standard deviation of the estimated intercept
(c) Standard deviation of the estimated slope coefficient
(d) An estimate of standard deviation of the dependent variable of the model
Key: **A**

Itemcode : **PE1101**

Q66 If, in a multivariate regression model with significant F-value, all the estimated parameters have computed -t values
: less than 1, then the model is likely to have,

(a) A problem of multicollinearity
(b) Some or all the regressors are linearly dependent
(c) Partial correlation for each regressor is insignificant
(d) All of the above
Key: **D**

Itemcode : **PE1102**

Q67 The clustering of volatility is more frequently observed in which type of data set.
:

(a) Cross-section data
(b) Panel data
(c) Financial time series data
(d) Census data
Key: **C**

Itemcode : **PE1103**

Q68 The most satisfactory method to estimate a logit/probit model is,
:

(a) Ordinary least squares
(b) Weighted Least Squares
(c) Ridge regression
(d) Maximum Likelihood
Key: **D**

Itemcode : **PE1104**

Q69 The appropriate estimation method to follow under heteroskedasticity is
:

(a) Ordinary least-squares
(b) Restricted least-squares
(c) Weighted least-squares

(d) Any non-linear estimation method
Key: **C**

Itemcode : **PE1105**

Q70 Which of the following is an example of a discretionary policy action that further destabilizes the economy?
:

(a) Investors become excessively optimistic, and the central bank responds with a reduction in the money supply.
(b) Investors become pessimistic, and the central bank responds with a reduction in interest rates.
(c) Consumers become pessimistic, and fiscal policy makers respond with a reduction in taxes.
(d) Consumers become pessimistic, and fiscal policy makers respond with a reduction in government spending.
Key: **D**

Itemcode : **PE1106**

Q71 Which of the following is an example of moral hazard?
:

(a) After Gomes buys fire insurance, he begins to smoke cigarettes in bed.
(b) None of these answers demonstrate moral hazard.
(c) Martin has been feeling poorly lately so he seeks health insurance.
(d) Both of Suzanne's parents lost their teeth due to gum disease, so Suzanne buys dental insurance
Key: **A**

Itemcode : **PE1107**

Q72 Tax reform that encourages saving tends to:
:

(a) shift the tax burden toward low-income people away from high-income people.
(b) reduce the rate of growth of output.
(c) reduce the deficit.
(d) shift the tax burden toward high-income people away from low-income people.
Key: **A**

Itemcode : **PE1108**

Q73 The long-run effect of an increase in the money supply is to:
:

(a) increase the interest rate.
(b) decrease the price level.
(c) increase the price level.
(d) decrease the interest rate.
Key: **C**

Itemcode : **PE1109**

Q74 When an increase in government purchases raises incomes, shifts money demand to the right,raises the interest rate,
: and lowers investment, we have seen a demonstration of

(a) supply-side economics.
(b) none of these answers.
(c) the crowding-out effect.
(d) the multiplier effect.
Key: **C**

Itemcode : **PE1110**

Q75 Suppose the economy is initially in long-run equilibrium. Then suppose there is an increase in military spending due to
: rising international tensions. According to the model of aggregate demand and aggregate supply, what happens to
prices and output in the long run?

(a) Output falls; prices are unchanged from the initial value.
(b) Prices fall; output is unchanged from its initial value.
(c) Output and the price level are unchanged from their initial values.
(d) Prices rise; output is unchanged from its initial value.
Key: **D**