

# QB365 Question Bank Software Study Materials

## Theories of Employment and Income 50 Important 1 Marks Questions With Answers (Book Back and Creative)

12th Standard

Economics

Total Marks : 50

Multiple Choice Question

50 x 1 = 50

- 1) If every able bodied person who is willing to work at the prevailing wage rate is employed called \_\_\_\_\_.  
**(a) Full employment** (b) Under employment (c) Unemployment (d) Employment opportunity
- 2) Structural unemployment is a feature in a \_\_\_\_\_.  
(a) Static society (b) Socialist society **(c) Dynamic society** (d) Mixed economy
- 3) In disguised unemployment, the marginal productivity of labour is \_\_\_\_\_.  
**(a) Zero** (b) One (c) Two (d) Positive
- 4) The main concern of the Classical Economic Theory is \_\_\_\_\_.  
(a) Under employment **(b) Economy is always in the state of equilibrium** (c) Demand creates its supply  
(d) Imperfect competition
- 5) J.B. Say is a \_\_\_\_\_.  
(a) Neo Classical Economist **(b) Classical Economist** (c) Modern Economist (d) New Economist
- 6) According to Keynes, which type of unemployment prevails in capitalist economy ?  
(a) Full employment (b) Voluntary unemployment (c) Involuntary unemployment **(d) Under employment**
- 7) The core of the classical theory of employment is \_\_\_\_\_.  
(a) Law of Diminishing Return (b) Law of Demand **(c) Law of Markets** (d) Law of Consumption
- 8) Keynes attributes unemployment to \_\_\_\_\_.  
(a) A lack of effective supply **(b) A lack of effective demand** (c) A lack of both (d) None of the above
- 9) \_\_\_\_\_ Flexibility brings equality between saving and investment  
(a) Demand (b) Supply (c) Capital **(d) Rate of Interest**
- 10) \_\_\_\_\_ theory is a turning point in the development of modern economic theory.  
**(a) Keynes'** (b) Say's (c) Classical (d) Employment
- 11) The basic concept used in Keynes Theory of Employment and Income is \_\_\_\_\_.  
(a) Aggregate demand (b) Aggregate supply **(c) Effective demand** (d) Marginal Propensity Consume
- 12) The component of aggregate demand is \_\_\_\_\_.  
(a) Personal demand **(b) Government expenditure** (c) Only export (d) Only import
- 13) Aggregate supply is equal to \_\_\_\_\_.  
(a)  $C + I + G$  (b)  $C + S + G + (x - m)$  (c)  $C + S + T + (x - m)$  **(d)  $C + S + T + R_f$**
- 14) Keynes theory pursues to replace laissez faire by \_\_\_\_\_.  
(a) No government intervention (b) Maximum intervention **(c) State intervention in certain situation**

- (a) NO government intervention (b) maximum intervention (c) **State intervention in certain situation**
- (d) Private sector intervention
- 15) In Keynes theory of employment and income, \_\_\_\_\_ is the basic cause of economic depression
- (a) Less production (b) More demand (c) Inelastic supply
- (d) Less aggregate demand in relation to productive capacity**
- 16) Classical theory advocates\_\_\_\_\_
- (a) Balanced budget** (b) Unbalanced budget (c) Surplus budget (d) Deficit budget
- 17) Keynes theory emphasized on\_\_\_\_\_ equilibrium
- (a) Very short run **(b) Short run** (c) Very long run (d) Long run
- 18) According to classical theory, rate of interest is a reward for \_\_\_\_\_.
- (a) Investment (b) Demand (c) Capital **(d) Saving**
- 19) In Keynes theory , the demand for and supply of money are determined by \_\_\_\_\_
- (a) Rate of interest** (b) Effective demand (c) Aggregate demand (d) Aggregate supply
- 20) Say's law stressed the operation of\_\_\_\_\_ in the economy
- (a) Induced price mechanism **(b) Automatic price mechanism** (c) Induced demand (d) Induced investment
- 21) 'Demand creates its own supply' - who said this.
- (a) Socialism **(b) Keynesianism** (c) Classicism (d) Both 'b' and 'c'
- 22) A person receives his income from \_\_\_\_\_
- (a) production** (b) purchase (c) sales (d) None of the above
- 23) Keynes theory of employment and income is the principle of \_\_\_\_\_
- (a) Reflective demand (b) Market demand **(c) Effective demand** (d) Individual demand
- 24) Effective demand equals to \_\_\_\_\_
- (a) National income** (b) Gross income (c) Total income (d) Net income
- 25) Capital stock and technological knowledge are given in the \_\_\_\_\_
- (a) medium run (b) long run **(c) short run** (d) none of the above
- 26) Say's law of market is the core of the \_\_\_\_\_ theory of employment.
- (a) classical** (b) economical (c) environmental (d) proportional
- 27) The entrepreneur would be encouraged to employ \_\_\_\_\_
- (a) more labour** (b) more income (c) more product (d) more capital
- 28) \_\_\_\_\_ has inherent contradictions.
- (a) Socialism (b) Traditional **(c) Capitalism** (d) Economy
- 29) \_\_\_\_\_ returns takes place as more workers are employed.
- (a) Law of diminishing marginal** (b) Law of equi demand (c) Law of demand (d) None of the above
- 30) J.M. Keynes is one of the gretest and most influential economist in \_\_\_\_\_ century.
- (a) 17<sup>th</sup>** (b) 18<sup>th</sup> (c) 19<sup>th</sup> (d) 20<sup>th</sup>
- 31) J.M. Keynes was born in \_\_\_\_\_

- (a) 1885 (b) 1884 **(c) 1883** (d) 1882
- 32) **Assertion:** The concept of full employment generally refers to full employment of labour force of a country  
**Reason:** Every economy in the world aims at attaining the level of full employment equilibrium where all its available resources are fully and efficiently employed to achieve maximum level of output.
- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)  
**(b) Both (A) and (R) are true, but (R) is not the correct explanation of (A)** (c) (A) is true, but (R) is false  
(d) (A) is false, but (R) is true.
- 33) Which of the following economies largely structural unemployment which is due to slow rate of capital formation?  
**(a) Developing economies** (b) Underdeveloped economies (c) Developed economies (d) None of the above
- 34) The idea that a general cut in wages will finally lead to a state of full employment was suggested by:  
(a) Keynes (b) Marshall (c) J.B.Say **(d) A.C.Pigou**
- 35) Say's law of market says:  
**(a) Supply creates its own demand** (b) Demand creates supply (c) Income generates demand  
(d) Savings create demand
- 36) Find the incorrect match with context of classical theory  
**(a) Equilibrium - Short-run equilibrium** (b) S & I - Saving and investment equilibrium through interest rate  
(c) Money - The function of money is to act as a medium of exchange (d) Approach - Micro foundation to macro problems
- 37) A positively sloped aggregate supply curve indicates that  
**(a) An increase in aggregate demand will be associated with an increase in the price level and no change in equilibrium output.**  
(b) An increase in aggregate demand will be associated with an increase in both the price level and equilibrium output  
(c) An increase in aggregate demand will be associated with an increase in equilibrium output and no change in the price level  
(d) None of the above
- 38) **Assertion:** Structural unemployment is due to drastic change in the structure of the society.  
**Reason:** Lack of demand for the product or shift in demand to other products cause this type of unemployment.
- (a) Both A and R are true and R is the correct explanation of A**  
(b) Both A and R are true but R is not the correct explanation of A (c) A is true but R is false (d) A is false but R is true
- 39) **Assertion:** Effective demand determines the level of unemployment in the economy.  
**Reason:** When effective demand increases, employment will increase. When effective demand decreases, the level employment will decline.
- (a) Both A and R are true and R is the correct explanation of A  
(b) Both A and R are true but R is not the correct explanation of A (c) A is true but R is false **(d) A is false but R is true**
- 40) **Assertion:** Aggregate supply function is an increasing function of the level of employment.  
**Reason:** Aggregate supply refers to the value of total output of goods and services produced in an economy in a year.
- (a) Both A and R are true and R is the correct explanation of A  
**(b) Both A and R are true but R is not the correct explanation of A** (c) A is true but R is false  
(d) A is false but R is true
- 41) Mohan used to work as an autoworker, and due to the decline of the Indian auto industry, is now unemployed and thinking about retraining as a bicycle assembler. What type of unemployment is he experiencing?  
(a) frictional unemployment **(b) structural unemployment** (c) cyclical unemployment (d) natural unemployment
- 42) In the classical model:

- (a) flexible markets will keep the economy at a full-employment level of spending and output  
 (b) both households 'saving activity and firms' investment activity are quite sensitive to changes in the interest rate.  
 (c) adjustments in the interest rates quickly correct any imbalances between saving and investment **(d) all of the above**

43) Match the correct codes

1	Modern technology being capital intensive requires slanderingness contributes to technological unemployment.	i	Technical Unemployment
2	Due to drastic change in the structure of the society	ii	structural unemployment
3	Occurs when more people are than what is actually required	iii	Seasonal Unemployment
4	ice cream industry, holiday resorts etc	iv	Disguised unemployment

- (a) (1) - (i) (2) - (ii) (3) - (iv) (4) - (iii)** (b) (1) - (ii) (2) - (iii) (3) - (iv) (4) - (i) (c) (1) - (iv) (2) - (iii) (3) - (i) (4) - (ii)  
 (d) (1) - (i) (2) - (ii) (3) - (iii) (4) - (iv)

44) Match the correct codes

1. AD	i	$C + S + T + R_f$
2. ED	ii	Supply = Demand
		Occurs when more people are than what is actually required
3 AS	iii	$Y = C + I = \text{Output} = \text{Employment}$
4. Market Law	iv	$C + I + G + (X - M)$

- (a) (1) - (i) (2) - (ii) (3) - (iv) (4) - (iii) (b) (1) - (ii) (2) - (iii) (3) - (iv) (4) - (i) **(c) (1) - (iv) (2) - (iii) (3) - (i) (4) - (ii)**  
 (d) (1) - (i) (2) - (ii) (3) - (iii) (4) - (iv)

45) Structural unemployment in developing countries is due to slow rate of \_\_\_\_\_.

- (a) capital formation** (b) saving (c) investment (d) taxation

46) Upward phase of trade cycle is \_\_\_\_\_.

- (a) recession (b) depression (c) both a and b **(d) recovery**

47) Give an example for expost sense

- (a) supply creates own demand (b) aggregate investmert = aggregate saving **(c) both (a) & (b)** (d) none

48) Aggregate demad

- (a)  $C + I$  **(b)  $C + I + G + (X - M)$**  (c)  $X - M$  (d)  $C + G$

49) \_\_\_\_\_ function depends on rate of interest and marginal efficiency of capital.

- (a) Consumption (b) Production (c) Saving **(d) Investment**

50) Who gave true concept liquidity preference?

- (a) J.B. Say **(b) Keynes** (c) Lerner (d) Adam Smith