

## **ED, DD & Corr. - R & U - Very Short (Info & Con)**

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### **Q.1. What is full employment equilibrium?**

**Ans.** Full employment equilibrium refers to that situation in the economy when  $AS = AD$  along with fuller utilisation of resources.

### **Q.2. What is underemployment equilibrium?**

**Ans.** Underemployment equilibrium refers to that situation in the economy when  $AS = AD$  but full employment is not achieved.

### **Q.3. Define full employment.**

**Ans.** Full employment refers to a situation in which all those who are able to work and are willing to work at the existing wage rate get work.

### **Q.4. What is voluntary unemployment?**

**Ans.** Voluntary unemployment is a situation in which a worker is not willing to work at the existing rate of wage.

### **Q.5. What is involuntary unemployment?**

**Ans.** Involuntary unemployment is a situation in which a worker is willing to work at the existing rate of wage but does not get work.

### **Q.6. What is the natural rate of unemployment?**

**Ans.** Natural rate of unemployment refers to the minimum rate of unemployment which always exists in the economy even when labour market is in a state of equilibrium.

### **Q.7. Define frictional unemployment.**

**Ans.** Frictional unemployment is that unemployment which is associated with changing the jobs in a dynamic economy.

### **Q.8. Define structural unemployment.**

**Ans.** Structural unemployment is that unemployment which is associated with structural changes in the economy, like change in technology.

### **Q.9. Does full employment mean zero unemployment?**

**Ans.** Full employment does not mean a situation of zero unemployment. Natural rate of unemployment (minimum rate of unemployment) always exists in the economy.

**Q.10. When does a situation of excess demand arise in an economy?**

**Ans.** Excess demand arises when AD is in excess of AS corresponding to full employment in an economy.

**Q.11. When does a situation of deficient demand arise in an economy?**

**Ans.** Deficient demand arises when AD is short of AS corresponding to full employment in an economy.

**Q.12. What is meant by inflationary gap?**

**Ans.** Inflationary gap is the excess of aggregate demand over and above its level required to maintain full employment equilibrium in the economy.

**Q.13. What is meant by deflationary gap?**

**Ans.** Deflationary gap refers to a situation of deficiency of demand when aggregate demand is short of aggregate supply corresponding to full employment level.

**Q.14. What do you mean by fiscal policy?**

**Ans.** Fiscal policy is the revenue and expenditure policy of the government with a view to combat the situation of inflationary or deflationary gap in the economy.

**Q.15. What do you mean by monetary policy?**

**Ans.** Monetary policy refers to that policy which corrects the situations of excess and deficient demand by regulating interest rate and availability of credit in the economy.