

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

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.