

BPE MAC1 Macroeconomics 1 – Spring Semester 2011

**Tutorial session 4 - 18.03.2011, 10:15-11:00 a.m.**

**Multiple Choice**

*Identify the choice that best completes the statement or answers the question.*

- \_\_\_ 1. The amount of \_\_\_\_\_ increases when the economy goes into a recession and decreases when the economy goes into an expansion.
- structural unemployment
  - seasonal unemployment
  - cyclical unemployment
  - frictional unemployment
- \_\_\_ 2. The natural rate of unemployment is the economist's notion of
- full employment.
  - cyclical employment.
  - structural unemployment.
  - frictional unemployment.
- \_\_\_ 3. Which one of the following types of unemployment will exist even if the wage is at the competitive equilibrium?
- Sectoral unemployment.
  - Cyclical employment.
  - Structural unemployment.
  - Frictional unemployment.
- \_\_\_ 4. Providing training for unemployed individuals will help to alleviate
- frictional unemployment.
  - seasonal unemployment.
  - structural unemployment.
  - cyclical unemployment.
- \_\_\_ 5. The existence of many discouraged workers in an economy may cause us to
- overstate the employment rate.
  - understate the employment rate.
  - overstate the unemployment rate.
  - understate the unemployment rate.
- \_\_\_ 6. Changes in the composition of demand among industries or regions are called
- frictional shifts.
  - sectoral shifts.
  - structural shifts.
  - temporary shifts.
- \_\_\_ 7. Unemployment insurance
- tends to increase unemployment by decreasing the cost of being unemployed.
  - tends to decrease unemployment by providing limited resources to the unemployed.
  - increases the hardships associated with unemployment.
  - increases the amount of job security demanded by employees.

- \_\_\_\_\_ 8. Unions attempt to raise wage rates for their members by
  - a. reducing the supply of the product their members produce.
  - b. lowering barriers to entry so their members have greater opportunities.
  - c. reducing the demand for labour so there are fewer non-union competitors.
  - d. negotiating a higher wage rate through collective bargaining.
- \_\_\_\_\_ 9. To negotiate a higher wage rate, a union cannot
  - a. start with a strike and then work to reach a contract to end the strike.
  - b. negotiate in good faith and expect to hold its bargaining power.
  - c. expect to maintain the same level of employment.
  - d. offer a supply curve of labour that is horizontal.
- \_\_\_\_\_ 10. Efficiency wages are
  - a. lower than market wages paid by employers to increase profitability.
  - b. higher than market wages paid by employers to increase productivity.
  - c. government-determined minimum wages set to protect workers from unfair employers.
  - d. negotiated by unions when officials are interested in trimming work forces.

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**Answer Section**

**MULTIPLE CHOICE**

1. ANS: C  
cyclical unemployment

PTS: 1

2. ANS: A  
full employment.

PTS: 1

3. ANS: D  
Frictional unemployment.

PTS: 1

4. ANS: C  
structural unemployment.

PTS: 1

5. ANS: D  
understate the unemployment rate.

PTS: 1

6. ANS: B  
sectoral shifts.

PTS: 1

7. ANS: A  
tends to increase unemployment by decreasing the cost of being unemployed.

PTS: 1

8. ANS: D  
negotiating a higher wage rate through collective bargaining.

PTS: 1

9. ANS: C  
expect to maintain the same level of employment.

PTS: 1

10. ANS: B  
higher than market wages paid by employers to increase productivity.

PTS: 1