

Unit 10. Unemployment and Inflation

20 Multiple-Choice Questions (MCQs)

1. **What is unemployment?**
 - a) People voluntarily choosing not to work
 - b) The percentage of the labour force that is jobless and actively looking for work
 - c) People working part-time jobs
 - d) A situation where jobs exceed the number of workers
2. **Which type of unemployment is caused by economic downturns?**
 - a) Frictional unemployment
 - b) Structural unemployment
 - c) Cyclical unemployment
 - d) Seasonal unemployment
3. **What is the natural rate of unemployment?**
 - a) 0% unemployment
 - b) The unemployment rate when the economy is at full employment
 - c) The unemployment rate during a recession
 - d) The rate of long-term unemployment
4. **Frictional unemployment occurs when:**
 - a) Workers lack the necessary skills for available jobs
 - b) Workers are between jobs or entering the workforce
 - c) There is a mismatch between job locations and worker locations
 - d) Jobs are lost due to automation
5. **What is inflation?**
 - a) A decrease in the overall price level
 - b) An increase in the overall price level of goods and services over time
 - c) A situation where wages exceed prices
 - d) A temporary rise in specific commodity prices
6. **Which index is commonly used to measure inflation?**
 - a) Gross Domestic Product (GDP)
 - b) Consumer Price Index (CPI)
 - c) Net Export Index (NXI)
 - d) Employment Cost Index (ECI)
7. **Cost-push inflation occurs when:**
 - a) Aggregate demand increases faster than aggregate supply
 - b) Wages and production costs rise, increasing prices
 - c) The money supply grows rapidly
 - d) Governments cut taxes
8. **Demand-pull inflation is caused by:**
 - a) Increased consumer and business spending
 - b) A rise in production costs
 - c) Higher interest rates

d) Decreased demand for goods and services

9. **What is hyperinflation?**

- a) A gradual increase in prices
- b) An extremely rapid or out-of-control rise in prices
- c) A situation where wages grow faster than prices
- d) Inflation caused by technological changes

10. **Which group is most affected by inflation?**

- a) Borrowers
- b) Lenders and people on fixed incomes
- c) Entrepreneurs
- d) Exporters

11. **Unemployment caused by automation and technological advancements is called:**

- a) Frictional unemployment
- b) Cyclical unemployment
- c) Structural unemployment
- d) Seasonal unemployment

12. **The Phillips Curve shows the relationship between:**

- a) Inflation and interest rates
- b) Unemployment and inflation
- c) Wages and productivity
- d) GDP growth and employment

13. **Which is an example of seasonal unemployment?**

- a) Farmers unemployed during off-seasons
- b) Workers laid off due to a recession
- c) Employees losing jobs because of factory closures
- d) College graduates seeking their first job

14. **What is deflation?**

- a) A slowdown in the rate of inflation
- b) A sustained decrease in the general price level of goods and services
- c) A situation where prices increase slowly
- d) A temporary drop in prices

15. **Stagflation refers to:**

- a) High inflation combined with high unemployment and stagnant economic growth
- b) Low inflation and low unemployment
- c) High inflation with rapidly growing GDP
- d) A temporary economic downturn

16. **What does the unemployment rate measure?**

- a) The percentage of the total population that is jobless
- b) The percentage of the labour force that is unemployed and actively seeking work
- c) The number of people on welfare
- d) The ratio of employed to unemployed workers

17. **Core inflation excludes:**

- a) Food and energy prices

- b) Housing and transportation prices
- c) Wages and salaries
- d) Healthcare and education costs

18. **What is the primary tool used by central banks to control inflation?**

- a) Fiscal policy
- b) Interest rate adjustments
- c) Tax reductions
- d) Subsidies for businesses

19. **Which is NOT a cause of structural unemployment?**

- a) Automation
- b) Outsourcing jobs
- c) Seasonal changes
- d) Globalization

20. **How can moderate inflation benefit borrowers?**

- a) By increasing interest rates
- b) By reducing the real value of debt
- c) By increasing the value of loans
- d) By making debt more difficult to repay

20 Review Questions

1. What are the main types of unemployment?
2. What causes frictional unemployment?
3. What is the natural rate of unemployment?
4. What are the effects of high unemployment?
5. What is inflation?
6. What are the two main types of inflation?
7. What is hyperinflation?
8. What is the Consumer Price Index (CPI)?
9. What are the consequences of inflation?
10. What is the Phillips Curve?
11. How does technological change cause structural unemployment?
12. What is stagflation?
13. How can inflation benefit borrowers?

14. What is core inflation?
15. How is unemployment measured?
16. What causes seasonal unemployment?
17. How do central banks control inflation?
18. What are the negative effects of deflation?
19. What is the relationship between money supply and inflation?
20. What policies can reduce unemployment?