

Week 10 MCQs

1. What is the primary focus of Module 10?
 - A. Markets for goods and services
 - B. Income inequality and poverty
 - C. Labour market economics and Conservation (Correct)**
 - D. Demographic transitions
2. How many lectures are included in Module 10?
 - A. One
 - B. Two
 - C. Three (Correct)**
 - D. Four
3. What is the first lecture in Module 10 about?
 - A. Earnings and discrimination
 - B. Income inequality and poverty
 - C. Markets for factors of production (Correct)**
 - D. Demographic transitions
4. According to the text, what is closely related to environmental degradation?
 - A. Income inequality
 - B. Overpopulation
 - C. Poverty (Correct)**
 - D. Labour productivity
5. What does poverty often lead to, according to the text?
 - A. Increased per capita resources
 - B. Higher birth rates (Correct)**
 - C. Less environmental degradation
 - D. Lower death rates
6. What is a demographic transition?
 - A. A shift in the supply of labor
 - B. A change in the demand for labor
 - C. A shift in the patterns of birth and death rates (Correct)**
 - D. The accumulation of investment in people
7. In poor societies, what hinders a child's survival to adulthood?

- A. Sufficient food and healthcare
- B. Access to education
- C. Malnutrition and lack of healthcare (Correct)**
- D. High birth rates

8. Why do poor societies tend to have higher birth rates?

- A. To increase per capita resources
- B. To compensate for high death rates (Correct)**
- C. To decrease the total resources needed
- D. To improve access to education

9. What is Phase II of the demographic transition characterized by?

- A. High birth rate and low death rate
- B. Low birth rate and high death rate
- C. High birth rate and decreasing death rate (Correct)**
- D. Low birth rate and decreasing death rate

10. What factors contribute to a decrease in death rates in a society?

- A. Malnutrition and disease
- B. Lack of sanitation
- C. Clean water, food, and sanitation (Correct)**
- D. Overpopulation

11. In the context of poor societies, why might people want more children?

- A. To ensure fewer children reach adulthood
- B. To reduce the stress on land
- C. To increase family resources and labor (Correct)**
- D. To decrease the total resources needed

12. What is the consequence of overpopulation in a society with limited resources?

- A. Increased per capita resources
- B. Land and environmental degradation (Correct)**
- C. Reduced pressure on land
- D. Improved agricultural productivity

13. Why is agricultural productivity often low in areas with land and environmental degradation?

- A. High per capita resources
- B. Fertile land
- C. Infertile land and lack of resources (Correct)**

D. Modern machinery and fertilizers

14. What is the relationship between poverty and environmental degradation?

A. They are unrelated

B. Poverty causes environmental degradation

C. Environmental degradation causes poverty

D. They are intimately related and form a vicious cycle (Correct)

15. What economic model is mentioned in relation to the interaction of firms and households?

A. The production function

B. The demographic transition

C. The circular flow diagram (Correct)

D. The neoclassical theory of distribution

16. What are the two types of markets mentioned in the circular flow diagram?

A. Labor and capital markets

B. Goods and services market and factors of production market (Correct)

C. Land and labor markets

D. Primary and secondary markets

17. In the market for factors of production, what do households sell?

A. Goods and services

B. Land, labor, and capital (Correct)

C. Pens

D. Fertilizers and pesticides

18. What is the central question addressed regarding poor households in the market for factors of production?

A. How much they consume

B. What goods and services they buy

C. How much money they get (Correct)

D. How much land they own

19. What are factors of production?

A. Goods and services

B. Inputs used to produce goods and services (Correct)

C. Wages, rent, and profit

D. Households and firms

20. What determines the prices paid for land, labor, and capital?

- A. Government regulations
- B. The number of households
- C. Demand and supply (Correct)**
- D. The size of the firms

21. What is capital, as defined in the text?

- A. Money
- B. Land
- C. Labor
- D. Equipment and structures used to produce goods and services (Correct)**

22. In the labor market, what is typically shown on the Y-axis?

- A. Quantity of workers
- B. Number of firms
- C. Wages (Correct)**
- D. Profit

23. What type of firm is used as an example in the discussion of labor demand?

- A. A monopoly
- B. A competitive profit-maximizing firm (Correct)**
- C. A non-profit organization
- D. A government agency

24. What does it mean for a firm to be a 'price taker'?

- A. It sets its own prices
- B. It has significant market power
- C. It accepts the market price (Correct)**
- D. It dictates prices to consumers

25. In the samosa-making example, what happens to the marginal product of labor as more workers are hired?

- A. It increases consistently
- B. It remains constant
- C. It decreases (Correct)**
- D. It fluctuates unpredictably

26. What is the marginal product of labor?

- A. The total output produced
- B. The change in quantity divided by the change in the number of workers (Correct)**

- C. The price of the output
- D. The value of the marginal product

27. What is the law of diminishing marginal product?

- A. The marginal product of an input increases as the quantity of the input increases
- B. The marginal product of an input remains constant as the quantity of the input increases
- C. The marginal product of an input declines as the quantity of the input increases (Correct)**
- D. The marginal product of an input is unrelated to the quantity of the input

28. What is the value of the marginal product of labor?

- A. The marginal product of labor divided by the price of output
- B. The marginal product of labor multiplied by the price of output (Correct)**
- C. The total output produced
- D. The number of workers employed

29. What determines the profit-maximizing quantity of labor for a firm?

- A. The highest marginal product of labor
- B. The point where the value of the marginal product of labor equals the wage rate (Correct)**
- C. The lowest wage rate
- D. The total output produced

30. What is marginal profit?

- A. Total revenue minus total cost
- B. Value of marginal product of labor minus wage rate (Correct)**
- C. Total revenue
- D. Total cost

31. How does an increase in the price of the output affect the demand for labor?

- A. It decreases the demand for labor
- B. It has no effect on the demand for labor
- C. It increases the demand for labor (Correct)**
- D. It makes the firm a price taker

32. How can the marginal product of labor be increased?

- A. Decreasing worker training
- B. Reducing the supply of other factors
- C. Increasing labor productivity or the supply of other factors (Correct)**
- D. Lowering the price of the output

33. What factors influence the supply of labor?

- A. Only wages
- B. Trade-off between work and leisure, social tastes, alternative opportunities, immigration (Correct)**
- C. The price of the output
- D. The demand for labor

34. What happens to the equilibrium wage when the supply of labor increases?

- A. It increases
- B. It remains the same
- C. It decreases (Correct)**
- D. It fluctuates unpredictably

35. What happens to the equilibrium wage when the demand for labor increases?

- A. It decreases
- B. It remains the same
- C. It increases (Correct)**
- D. It becomes zero

36. Besides the labor market, what other markets are discussed in relation to factors of production?

- A. Goods and services market
- B. Money market
- C. Land and capital markets (Correct)**
- D. Stock market

37. In the land market, what is typically the price paid for land?

- A. Purchase price
- B. Rental price (Correct)**
- C. Market value
- D. Tax assessment

38. In the capital market, what might be considered the rental price of capital?

- A. The purchase price
- B. The interest rate (Correct)**
- C. The market value
- D. The tax assessment

39. What determines the demand for land and capital?

- A. Government regulations
- B. The value of their marginal product (Correct)**

- C. The number of households
- D. The size of the firms

40. What is the neoclassical theory of distribution?

- A. A theory explaining income inequality
- B. An analysis of how the supply and demand for factors of production determine their prices (Correct)**
- C. A theory about demographic transitions
- D. A model of the circular flow of income

41. How does an epidemic that reduces labor supply affect wages?

- A. It decreases wages
- B. It has no effect on wages
- C. It increases wages (Correct)**
- D. It eliminates wages

42. According to the neoclassical theory, what does each factor of production earn?

- A. A fixed amount determined by the government
- B. The value of its marginal contribution to production (Correct)**
- C. The average income in the society
- D. A share proportional to its ownership

43. What is a compensating differential?

- A. A difference in wages due to differences in education levels
- B. A difference in wages due to differences in human capital
- C. A difference in wages to offset non-monetary characteristics of jobs (Correct)**
- D. A difference in wages caused by discrimination

44. What is human capital?

- A. The physical capital used in production
- B. The accumulation of investment in people, such as education and training (Correct)**
- C. The natural resources available to a society
- D. The financial capital owned by individuals

45. How does education and training affect the marginal product of labor?

- A. It decreases the marginal product of labor
- B. It has no effect on the marginal product of labor
- C. It increases the marginal product of labor (Correct)**
- D. It makes the labor market less efficient

46. What is signaling, in the context of labor markets?

A. An action taken by an informed party to reveal private information to an uninformed party (Correct)

B. A form of government regulation

C. A method used to reduce income inequality

D. A measure of labor productivity

47. What is a characteristic of a good signal in the labor market?

A. It is easily obtainable by everyone

B. It is more costly for higher quality individuals than for lower quality individuals

C. It is costly and more costly for lower-quality individuals (Correct)

D. It is irrelevant to the employer's decision making

48. Besides ability, what other factors influence wages?

A. Only education and training

B. Effort, chance, and appearance (Correct)

C. Government regulations only

D. The size of the firm only

49. What is the superstar phenomenon?

A. When all producers in a market earn the same income

B. When the best producers in a market earn significantly more than others, and their goods can be cheaply distributed (Correct)

C. When all consumers in a market have equal purchasing power

D. When a single firm controls a market

50. How can minimum wage laws affect the labor market?

A. They always increase employment

B. They always decrease employment

C. They can lead to a surplus of labor (Correct)

D. They have no effect on the labor market

51. What is a union?

A. A government agency regulating wages

B. A worker association that bargains with employers (Correct)

C. A firm that maximizes profits

D. A group of consumers

52. What are efficiency wages?

A. Wages set by the government

- B. Wages determined by collective bargaining
- C. Above-equilibrium wages paid by firms to increase productivity (Correct)**
- D. Wages equal to the value of the marginal product of labor

53. What is discrimination, in the context of labor markets?

- A. Offering different opportunities to similar individuals based on personal characteristics (Correct)**
- B. Paying all workers the same wage
- C. Hiring only the most productive workers
- D. Following the neoclassical theory of distribution

54. What is an example of discrimination mentioned in the text?

- A. The equal pay act
- B. The gender pay gap (Correct)**
- C. Efficiency wages
- D. Compensating differentials

55. How can a competitive market potentially address employee discrimination?

- A. It cannot address discrimination
- B. By mandating equal pay for all workers
- C. By allowing firms that don't discriminate to out-compete those that do (Correct)**
- D. By government intervention

56. When will a free market fail to remedy discrimination?

- A. When there is government mandated discrimination
- B. When customers are willing to pay for discrimination
- C. When there is no competition in the market
- D. Both A and B (Correct)**

57. What is mentioned as a legal provision in India aiming to address discrimination?

- A. Article 14 and Article 15 of the Indian Constitution (Correct)**
- B. The Superstar Phenomenon
- C. The Law of Diminishing Marginal Product
- D. The Circular Flow Diagram

58. What is an example of affirmative action mentioned in the text?

- A. Minimum wage laws
- B. Efficiency wages
- C. Reservation (Correct)**
- D. Compensating differentials

59. What is the main argument about the role of government in addressing market outcomes?

- A. Governments should never intervene in markets
- B. Governments should always intervene in markets
- C. Governments can sometimes improve market outcomes (Correct)**
- D. Governments have no impact on market outcomes

60. Which of the following is NOT a factor that modulates the results of the neoclassical theory of distribution?

- A. Compensating differentials
- B. Human capital
- C. The circular flow diagram (Correct)**
- D. Discrimination

61. What is the relationship between poverty and pressure on natural resources?

- A. Poverty reduces pressure on natural resources
- B. There is no relationship between poverty and pressure on natural resources
- C. Poverty increases pressure on natural resources (Correct)**
- D. Poverty is unaffected by pressure on natural resources

62. What is income inequality?

- A. The total income of a society
- B. The average income of a society
- C. Disparity in income distribution (Correct)**
- D. The growth rate of income

63. What is the impact of poverty on per capita resources?

- A. It increases per capita resources
- B. It has no impact on per capita resources
- C. It decreases per capita resources (Correct)**
- D. It stabilizes per capita resources

64. What is the relationship between poverty and overexploitation of natural resources?

- A. Poverty decreases the overexploitation of natural resources
- B. There is no relationship between poverty and overexploitation of natural resources
- C. Poverty increases the likelihood of overexploitation of natural resources (Correct)**
- D. Poverty is unaffected by the overexploitation of natural resources

65. In what stage of demographic transition is overpopulation particularly likely due to poverty?

- A. Phase III

B. Phase I and II (Correct)

- C. Phase I
- D. Phase II

66. What is the Indian Forest Service officer's name who is delivering the lectures?

A. Dr. Ankur Awadhiya, IFS (Correct)

- B. Indian Institute of Technology
- C. Department of Biotechnology and Bioengineering
- D. Namaste

67. What institution is associated with the delivery of the lectures?

- A. Indian Forest Service
- B. Department of Biotechnology and Bioengineering
- C. Indian Institute of Technology, Kanpur

D. All of the above (Correct)

68. In the neoclassical theory, what determines the amount paid to each factor of production?

- A. Government regulations
- B. The supply and demand for that factor (Correct)**
- C. The marginal product of labor only
- D. The total output of the economy

69. In the neoclassical theory, on what does the demand for a factor depend?

- A. The supply of other factors
- B. Government regulations
- C. Its marginal productivity (Correct)**
- D. Consumer preferences

70. In the neoclassical theory, what does each factor of production earn in equilibrium?

- A. A fixed percentage of the total output
- B. A wage determined by the government
- C. The value of its marginal contribution to production (Correct)**
- D. An amount based on seniority

71. What is the gender pay gap?

- A. The difference in wages between men and women (Correct)**
- B. The difference in wages between skilled and unskilled workers
- C. The difference in wages between different ethnic groups
- D. The difference in wages between different age groups

72. According to the text, what was the gender pay gap in India in 2013?

- A. 44.8 percent
- B. 24.81 percent (Correct)**
- C. 0 percent
- D. It is not mentioned

73. How can a competitive market potentially remedy discrimination?

- A. Through government regulation
- B. Through social movements
- C. By allowing firms that do not discriminate to outcompete others (Correct)**
- D. By increasing minimum wages

74. Which of these is NOT a factor that might cause a firm to pay above-equilibrium wages?

- A. Minimum wage laws
- B. Union negotiations
- C. Efficiency wages
- D. The demographic transition (Correct)**

75. What is a strike?

- A. A negotiation between unions and employers
- B. An organized withdrawal of labor from a firm (Correct)**
- C. A period of economic recession
- D. A type of efficiency wage

76. In the context of above-equilibrium wages, what might be a consequence of a minimum wage law?

- A. Increased employment
- B. Reduced unemployment
- C. A surplus of labor (Correct)**
- D. No effect on the labor market

77. What might be a reason for a firm to pay efficiency wages?

- A. To increase worker productivity and reduce turnover (Correct)**
- B. To comply with minimum wage laws
- C. To appease unions
- D. To reduce profits

78. What is a potential drawback of minimum wage laws?

- A. Increased worker productivity

- B. Reduced unemployment
- C. Job losses and business closures (Correct)**
- D. Increased demand for labor

79. What is a potential consequence of union negotiations that result in above-equilibrium wages?

- A. Increased firm profitability
- B. Increased employment
- C. Business closures and unemployment (Correct)**
- D. No significant effect on the labor market

80. What is the main point about the role of markets in addressing discrimination?

- A. Markets always effectively address discrimination
- B. Markets sometimes effectively address discrimination (Correct)**
- C. Markets never effectively address discrimination
- D. Markets are irrelevant to the issue of discrimination

81. What is a potential problem with relying on markets alone to solve the problem of discrimination?

- A. Markets may ignore discrimination if customers are willing to pay for it (Correct)**
- B. Markets may increase discrimination
- C. Markets are always efficient
- D. Markets have no role in discrimination

82. What is a possible role of government in addressing discrimination?

- A. Government should never intervene
- B. Government can enact laws to counter discrimination (Correct)**
- C. Government intervention always worsens discrimination
- D. Government has no impact on discrimination

83. What is the term used for the inputs used to produce goods and services?

- A. Outputs
- B. Factors of Production (Correct)**
- C. Capital
- D. Labor

84. What is the term for the increase in output from an additional unit of labor?

- A. Total Product
- B. Average Product
- C. Marginal Product of Labor (Correct)**
- D. Value of Marginal Product

85. What factor determines the profit-maximizing quantity of labor?

- A. Total Revenue
- B. Total Cost
- C. Where Value of Marginal Product equals Wage Rate (Correct)**
- D. The number of firms

86. What is the relationship between the value of the marginal product of labor and the wage rate in a profit-maximizing firm?

- A. They are always equal
- B. Value of Marginal Product is always greater than the wage rate
- C. Value of Marginal Product is always less than the wage rate
- D. Value of Marginal Product is equal to or greater than the wage rate (Correct)**

87. What economic principle explains why the marginal product of labor decreases as more workers are hired?

- A. The Law of Supply
- B. The Law of Demand
- C. The Law of Diminishing Marginal Product (Correct)**
- D. The Law of Increasing Returns

88. What does the supply of labor depend on?

- A. Only wages
- B. Wage rate and the number of firms
- C. Trade-off between work and leisure, social norms, and other opportunities (Correct)**
- D. Only the number of firms

89. What is the impact on equilibrium wage when the supply of labor increases, assuming demand remains constant?

- A. Wage increases
- B. Wage decreases (Correct)**
- C. No effect on wage
- D. Wage becomes zero

90. What happens to the equilibrium wage when the demand for labor increases, assuming supply remains constant?

- A. Wage decreases
- B. Wage increases (Correct)**
- C. No effect on wage
- D. Wage becomes zero

91. What are the three factors of production discussed in the text?
- A. Labor, capital, and entrepreneurship
 - B. Land, labor, and capital (Correct)**
 - C. Land, capital, and technology
 - D. Labor, technology, and entrepreneurship
92. What is typically the price paid for land in the land market?
- A. Purchase price only
 - B. Rental price (Correct)**
 - C. Market value only
 - D. Tax assessment only
93. What can serve as the rental price of capital?
- A. Purchase price
 - B. Interest rate (Correct)**
 - C. Market value
 - D. Tax assessment
94. According to the neoclassical theory, what determines the demand for factors of production?
- A. Government regulation
 - B. Supply of other factors
 - C. Their marginal productivity (Correct)**
 - D. Consumer preferences
95. What is the main point of the neoclassical theory of distribution?
- A. Factors of production earn a fixed percentage of the total output
 - B. The prices of factors of production are determined by supply and demand (Correct)**
 - C. Government intervention is necessary for fair distribution
 - D. Factors of production are unrelated to prices
96. How does a reduction in labor supply due to an epidemic affect wages?
- A. It decreases wages
 - B. It increases wages (Correct)**
 - C. It has no effect on wages
 - D. It leads to perfect wage equality
97. What is a compensating differential?
- A. A difference in wages to offset the non-monetary characteristics of jobs (Correct)**

- B. A difference in wages due to differences in education
- C. A difference in wages due to discrimination
- D. A fixed amount of money paid regardless of job characteristics

98. What is human capital?

- A. The physical capital used in production
- B. Investment in people, such as education and training (Correct)**
- C. Natural resources
- D. Financial assets

99. How does increased human capital typically affect the marginal product of labor?

- A. It decreases the marginal product
- B. It has no effect on the marginal product
- C. It increases the marginal product (Correct)**
- D. It is unrelated to the marginal product

100. What is signaling in the labor market?

- A. A form of government regulation
- B. An action to reveal private information to uninformed parties (Correct)**
- C. A method for reducing income inequality
- D. A measure of productivity