

Short Answer Questions

Chapter 18.

1. Describe the factors of production that would be used in the production of a good of your choice – an outline description only is required.
2. The demand for factors of production are said to be a derived demand. What does this mean?
3. Why does the marginal product of labour eventually start to decline after additional units of labour are added to a combination of fixed factors?
4. In a free market, the wage rate is equal to the marginal value product of labour. Explain why.
5. Analyse the main factors which can cause the demand for labour to shift over time.
6. Analyse the main factors which can cause the supply of labour to shift over time.
7. Assume the market for workers assembling e-book readers is in equilibrium. An increase in technology increases the productivity of workers by 5 per cent whilst at the same time new education programmes mean more workers are trained in this new technology. Explain what you think will happen to the market wage and the number of people employed in this market. Outline any assumptions you make in your answer clearly.
8. Many governments express concerns if wage increases are excessive. Under what circumstances is any wage increase beneficial rather than damaging to a firm?
9. In some parts of Europe towns are dominated by major employers and in some cases these employers account for over 60 per cent of the total employment in these towns. Consider some of the advantages and possible disadvantages of such a situation on the local labour force.
10. Changes in physical geography mean that the available land for production in an island country diminishes by 30 per cent. What would you expect to happen to the earnings of other factors of production in this country? Explain your answer.