

Question #62859 - Economics – Macroeconomics | Completed

Question

Involuntary unemployment can be caused by ... (several answers possible)

- (a) a minimum wage.
- (b) introduction of higher taxes.
- (c) lowering taxes.
- (d) employment protection legislation.

Answer

(a) and (b) – in these cases real wage falls, labor supply increases (moves rightwards), in situation with relatively constant labor demand.

