

Overview

This event provides recognition for FBLA members who can identify, understand, and apply economic principles to contemporary social, political, and ecological problems.

This is an individual online test.

Competencies and Task Lists

<http://www.fbla-pbl.org/competitive-event/economics/>

Website Resources

- Business and Economics - The University of Chicago Library
<http://guides.lib.uchicago.edu/busecon>
- Economics Website
<http://www.mcwdn.org/ECONOMICS/EconMain.html>
- Monetary and Fiscal Policy
[http://www.socialstudieshelp.com/Eco Mon and Fiscal.htm](http://www.socialstudieshelp.com/Eco_Mon_and_Fiscal.htm)
- tutor2u - Economics Quizzes
<http://www.tutor2u.net/quiz/economics/default.asp>

ECONOMICS SAMPLE QUESTIONS

- 1) Economic analysis is based on the assumption that people act:
- A) in their own self-interest
 - B) in a randomized manner
 - C) altruistically
 - D) so as not to maximize utility

Competency: Basic Economic Concepts and Principles

- 2) Which one of the following would be considered inflation?
- A) the dollar appreciates relative to the Euro
 - B) the price of gasoline goes from \$3 to \$4
 - C) the dollar depreciates relative to the Euro
 - D) the general price level rises

Competency: Basic Economic Concepts and Principles

3) In a competitive market economy firms will seek to:

- A) maximize price and maximize profit
- B) minimize costs and maximize profit
- C) minimize costs and minimize price
- D) maximize costs and maximize price

Competency: Basic Economic Concepts and Principles

4) In a market economy important roles for government include:

- A) allocating resources and reassigning property rights
- B) limiting externalities, such as pollution, and providing public goods
- C) determining what goods will be produced and who will get the goods
- D) setting prices and determining how income will be distributed

Competency: Basic Economic Concepts and Principles

5) All nations can gain from trade if they produce and trade the goods:

- A) that their resources are ill suited to produce
- B) for which they are the low opportunity cost producers
- C) that other countries have a comparative advantage in their production
- D) that are subsidized by the government

Competency: Basic Economic Concepts and Principles

6) In what natural resource is the Middle East abundant?

- A) timber
- B) fertile soil
- C) oil
- D) silver

Competency: Basic Economic Concepts and Principles

7) How can personal decisions have a global impact on conserving the environment?

- A) no impact
- B) collective power
- C) the amount of waste of one person
- D) personal decisions only impact on a national level

Competency: Basic Economic Concepts and Principles

-
-
- 8) A farmer hiring additional workers, but decreasing the output per worker would be an example of what rule?
- A) increasing productivity
 - B) decreasing output
 - C) diminishing returns
 - D) marginal inputs

Competency: Productivity

- 9) If a chemist's annual income is three times as high as a carpenter's annual income, how would an economist explain that?
- A) The chemist's marginal productivity is one-third as much as the carpenter's marginal productivity.
 - B) The chemist's marginal productivity is three times higher than the carpenter's marginal productivity.
 - C) The chemist works one-third as many hours per year as the carpenter.
 - D) The chemist works 6,000 hours per year and the carpenter works 2,000 hours per year.

Competency: Productivity

- 10) Which one is a **true** statement regarding taxation and productivity?
- A) As some employers face higher tax rates, their services will be in shorter supply.
 - B) Productivity increases as tax rates increase.
 - C) Tax rates have no effect on services or output.
 - D) Because increases in tax rates only apply to increasing income, productivity will not be affected.

Competency: Productivity

- 11) If the capacity utilization rate in manufacturing is a leading economic indicator and it's decreasing, what can we expect?
- A) We can expect the unemployment rate to begin decreasing.
 - B) We can expect that the economy has already gone into recession.
 - C) We can expect the economy to go into recession in the near future.
 - D) We can expect rapid economic growth in the near future.

Competency: Macroeconomics

-
- 12) What does disposable income equal?
- A) personal income less personal current taxes
 - B) personal income plus personal current taxes
 - C) personal outlays minus personal saving
 - D) personal saving minus personal outlays

Competency: Macroeconomics

- 13) If the CPI is 180 at the end of 2011 and increases to 191 by the end of 2012 the inflation rate for 2012 would be approximately:
- A) 91 percent
 - B) 11 percent
 - C) 6 percent
 - D) 7.5 percent

Competency: Macroeconomics

- 14) When quantity supplied equals quantity demanded then:
- A) a market will be in equilibrium
 - B) surpluses will become a problem
 - C) government intervention is most likely to occur
 - D) shortages will occur

Competency: Supply and Demand

- 15) Which one of the following outcomes describes an efficient allocation of a good?
- A) The price that buyers are willing to pay equals the marginal cost of production.
 - B) The price that buyers are willing to pay equals the average variable cost of production.
 - C) The price that buyers are willing to pay is high enough for all firms to earn a profit.
 - D) The price that buyers are willing to pay is low enough so that all may buy the good.

Competency: Supply and Demand

- 16) Businesses in high wage countries like the United States can compete with low wage countries if:
- A) low wage nations increase tariffs on imports
 - B) labor productivity is higher in low wage countries
 - C) labor productivity is higher in the United States
 - D) the United States reduces tariffs on imported goods

Competency: International Trade/Global Economics

-
- 17) If the U.S. government imposes a quota on imported sugar, who will benefit and who will lose?
- A) Both American growers of sugar and American consumers of sugar will lose.
 - B) Both American growers of sugar and American consumers of sugar will benefit.
 - C) American growers of sugar will benefit and American consumers of sugar will lose.
 - D) American growers of sugar will lose and American consumers of sugar will benefit.

Competency: International Trade/Global Economics

- 18) When high profits are present in a competitive industry we would **expect**:
- A) additional resources to flow into the market and product prices to rise
 - B) resources to flow out of the market and product prices to fall
 - C) resources to flow out of the market and product prices to rise
 - D) additional resources to flow into the market and product prices to fall

Competency: Market Structures and Competition

- 19) In perfect competition, if firms are generating economic profits, firms will:
- A) enter the market and prices will fall
 - B) exit the market and prices will rise
 - C) exit the market and prices will fall
 - D) enter the market and prices will rise

Competency: Market Structures and Competition

- 20) What is an oligopoly?
- A) many firms selling a similar product
 - B) many firms selling different products
 - C) similar to a monopoly with a small number of firms controlling a particular market
 - D) all firms produce very similar, but not exact products

Competency: Market Structures and Competition

- 21) What market forces can influence interest rates?
- A) supply and demand of credit
 - B) unemployment rate
 - C) collateral available
 - D) principal used

Competency: Investments and Interest Rates

22) Which one of the following statements most accurately describes the risk and return of owning bonds versus stocks?

A) The average return on stocks is higher than the average return on bonds over the long run, and stocks are riskier than bonds.

B) The average return on stocks is lower than the average return on bonds over the long run, and stocks are less risky than bonds.

C) The average return on stocks is lower than the average return on bonds over the long run, and stocks are riskier than bonds.

D) The average return on stocks is higher than the average return on bonds over the long run, and stocks are less risky than bonds.

Competency: Investments and Interest Rates

23) Which one of the following is a disadvantage of consumer credit?

A) high interest rates

B) purchase protection

C) increased purchasing power

D) ease of purchase

Competency: Investments and Interest Rates

24) When an industry produces goods with substantial external costs one economically efficient solution that the public sector might provide is to:

A) tax the firms in the industry for the external costs

B) close down the industry to eliminate the external costs

C) do nothing since the costs are external

D) subsidize the firms in the industry for the external costs

Competency: Role of Government

25) Which taxes are typically used at the local level and not the national level?

A) progressive taxes

B) excise taxes

C) income taxes

D) property taxes

Competency: Role of Government

-
-
- 26) Which government policy promotes economic growth?
- A) protecting domestic industry from foreign competition
 - B) protecting private property rights
 - C) government ownership of the means of production
 - D) price and wage controls

Competency: Role of Government

- 27) If the economy were growing at 6 percent, in real terms, but inflation was 20 percent, the most appropriate policies would be:
- A) restrictive fiscal policy and restrictive monetary policy.
 - B) restrictive fiscal policy and expansionary monetary policy.
 - C) expansionary fiscal policy and expansionary monetary policy.
 - D) expansionary fiscal policy and restrictive monetary policy.

Competency: Monetary and Fiscal Policy

- 28) What is the main tool used to measure the economic growth of a country and is used in making decisions about policy?
- A) unemployment
 - B) GDP
 - C) wages
 - D) inflation

Competency: Monetary and Fiscal Policy

- 29) A business owned by a single individual that is responsible for all its debts is called a:
- A) partnership
 - B) corporation
 - C) proprietorship
 - D) agency

Competency: Types of Business/Economic Institutions

- 30) What happens to the circular flow model in a mixed economy when government is added to the model?
- A) household income is reduced due to taxes; government spending injects income
 - B) household income is increased; government spending also increases income in the model
 - C) household income is increased due to the additional government spending
 - D) household income is reduced due to taxes; government decreases income further

Competency: Business Cycles/Circular Flow