

# 2023-24 Competitive Events Guidelines

## Foundations of Economics

Foundations of Economics provides members with the opportunity to demonstrate knowledge around competencies in economics. This competitive event consists of an objective test.

### Event Overview

**Division:** Collegiate

**Event Type:** Individual

**Event Category:** Objective Test, 100-multiple choice questions (breakdown of question by competencies below)

**Objective Test Time:** 50 minutes

**NACE Connections:** Career & Self-Development

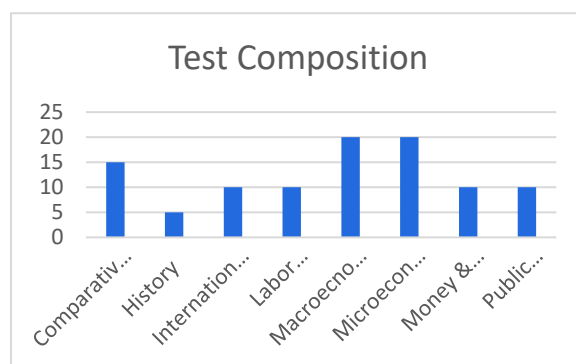
**Equipment Competitor Must Provide:** Pencil, Computer

**Equipment FBLA Provides:** One piece of scratch paper per competitor

*Only for members who have had no more than six credit hours on a semester schedule, or the equivalent of quarter hours, of economics instruction at the collegiate level by May 1 of the current year.*

### Competencies

- Comparative economic systems
- History of economic thought
- International trade
- Labor economics
- Macroeconomics
- Microeconomics
- Money and banking
- Public sector economics



### State

Check with your State Leader for state-specific competition information.

### National

#### Policy and Procedures Manual

- Competitors should be familiar with the Competitive Events Policy & Procedures Manual, found on the Competitive Events page on [www.fbla.org](http://www.fbla.org).

#### Eligibility

- FBLA membership dues are paid by 11:59 pm Eastern Time on April 15<sup>th</sup> of the current program year.
- Members must be registered for the NLC and pay the national conference registration fee in order to participate in competitive events.
- Members must stay in an official FBLA hotel to be eligible to compete.
- Each state may submit four entries per event.

# 2023-24 Competitive Events Guidelines



## Foundations of Economics

- Each member can compete in up to two individual/team events and one chapter event (Community Service Project or State of Chapter Presentation).
- If competitors are late for an objective test, they will be allowed to compete until such time that results are finalized, or the accommodation would impact the fairness and integrity of the event. Competitive event schedules cannot be changed. Competitive events start in the morning before the Opening Session of the NLC.
- Picture identification (physical or digital driver's license, passport, state-issued identification, or school-issued identification) is required when checking in for competitive events.

### *Recognition*

- The number of competitors will determine the number of winners. The maximum number of winners for each competitive event is 10.

### *Event Administration*

- This event is an objective test administered online at the NLC.
- No reference or study materials may be brought to the testing site.
- No calculators may be brought into the testing site; online calculators will be provided through the testing software.

### *Tie Breaker*

- Ties are broken by comparing the correct number of answers to 10 pre-determined questions on the test. If a tie remains, answers to 20 pre-determined questions on the test will be reviewed to determine the winner. If a tie remains, the competitor who completed the test in a shorter amount of time will place higher.

### *Americans with Disabilities Act (ADA)*

- FBLA meets the criteria specified in the Americans with Disabilities Act for all competitors with accommodations submitted through the conference registration system by the registration deadline.

### *Penalty Points*

- Competitors may be disqualified if they violate the Competitive Event Guidelines or the Honor Code.
- Five points are deducted if competitors do not follow the Dress Code or are late to the testing site.

### *Electronic Devices*

- All electronic devices such as cell phones and smart watches must be turned off before competition begins.

## **Study Guide: Competencies and Tasks**

### A. Comparative Economic Systems

# 2023-24 Competitive Events Guidelines

## Foundations of Economics



1. Use basic economic concepts (e.g., supply and demand; production, distribution, and consumption; labor, wages, and capital; inflation and deflation; market economy and command economy) to compare and contrast local, regional, and national economics across time and the present time.
  2. Compare and contrast economic systems (e.g., traditional, market, command, and mixed) based on criteria such as freedom, efficiency, equity, security, employment, stability, and growth.
  3. List and define the basic types of economics systems.
  4. Discuss the difference between capitalism and socialism.
  5. Distinguish between planned economic systems and market economic systems.
  6. Give examples of countries that have communism, socialism, and capitalism economies.
  7. Describe the characteristics for the laissez faire free market capitalism, regulated markets, mixed economies, socialism, and Marxism economic systems.
  8. Evaluate the performance of different economic systems.
  9. Explain the impact on the U.S. economy of international trade and global products.
  10. Investigate the ways that domestic and international economies are interdependent.
  11. Identify and assess the impact of major American foreign and trade policies.
  12. Analyze the role that supply and demand prices and profits play in determining production and distribution in a market economy.
  13. Explain the basic functions of government in a market economy.
  14. Recognize alternatives to the free-market system and discuss how decisions in these economies rely on mechanisms other than the choices of the members of these societies.
  15. Analyze the role of a market economy in establishing and preserving political and personal liberty.
  16. Explain the roles of property rights, competition, and profit in a market economy.
  17. Explain the role of profit as the incentive to entrepreneurs in a market economy.
- B. History of Economic Thought
1. Investigate various perspectives that have influenced economic thought in different periods and places.
  2. Evaluate some of the major contributions of the theory of value, the theory of production, and the theory of distribution.
  3. Discuss the creation and evolution of alternative schools of economic thought.
  4. Consider the impacts that alternative schools of thought have had on “mainstream” economics.
  5. List and describe the various schools of economic thought.
  6. Trace the development and evolution of economic systems from the eighteenth century to the present.
- C. International Trade
1. Analyze the impact of world trade and relate it to the U.S. free enterprise system.
  2. Explain the basic characteristics of international trade, including absolute and comparative advantage, barriers to trade, exchange rates, and balance of trade.
  3. Analyze why trade barriers and exchange rates affect the flow of goods and services among nations.

# 2023-24 Competitive Events Guidelines

## Foundations of Economics



4. Discuss the advantages and disadvantages and distributive effects of trade restricts (e.g., tariffs, quotas, and embargoes).
  5. Analyze the impact of international issues and concerns on personal, national, and international economics.
  6. Explain how specialization promotes international trade and how international trade increases total world output and interdependence among nations.
  7. Describe major recent developments in the volume of international trade and financial flows.
  8. Define the Ricardian model of trade, and the principle of comparative advantage.
  9. Discuss arguments for and against “free trade.”
  10. Define the role of the World Trade Organization.
  11. Discuss the effects of international trade and finance on employment, prices, and incomes.
  12. Explain foreign exchange, the manner in which exchange rates are determined, and the effects of the dollar’s gaining (or losing) value relative to other currencies.
- D. Labor Economics
1. Define basic labor economic theory, including labor market structures and wage determination.
  2. Construct, defend, and analyze important labor policy issues.
  3. Use quantitative data and qualitative analysis to explain and critique the manner in which labor market outcomes change over time.
  4. Apply theoretical and empirical analysis to current events and policy recommendations.
  5. Analyze the impact of labor market imperfections and various government policies on wages and incentives to work.
  6. Differentiate between labor economic and labor relation issues.
  7. Describe the operations of the labor market, including the establishment of American labor unions, effects of unionization, the minimum wage, and unemployment insurance.
  8. Describe the current economy and labor market, including the types of goods and services produced, the types of skills workers need, the effects of rapid technological change, and the impact of international competition.
  9. Discuss wage differences among jobs and professions, using the laws of demand and supply and the concept of productivity.
  10. Explain the significance of an unemployment rate, the number of new jobs created monthly, inflation or deflation rates, and a rate of economic growth.
- E. Macroeconomics
1. Differentiate between microeconomists’ and macroeconomists’ approach to the economy and their solutions to economic problems.
  2. Analyze factors that are studied in determining the economic health of our economy.
  3. Discuss how changes in disposable income affect the economy.
  4. Explain the effects of leading economic indicators on a personal financial plan.
  5. Identify and analyze leading economic indicators and the methods of using the indicators to validate opinions about the state of the economy in the near future.
  6. Evaluate the impact of employment/unemployment on production, consumption, and exchange.

# 2023-24 Competitive Events Guidelines

## Foundations of Economics



7. Define gross domestic product (GDP) and interpret fluctuations in the GDP.
  8. Discuss major factors that affect the level of a country's Gross Domestic Product (GDP) (e.g., quantity and quality of natural resources, quantity and quality of human capital, and quantity and quality of capital stock).
  9. Explain how the Consumer Price Index measures the rate of inflation and interpret its relationship to purchasing power.
  10. Interpret economic data depicted through illustrations (e.g., tables, curves, graphs, ratios, percentages, indexes, and values).
  11. Discuss the concepts and measurement of unemployment, inflation, and recession.
  12. Describe the difference between business cycles and economic growth and the factors that contribute to each.
  13. Discuss the concept of Macroeconomic Equilibrium.
  14. Describe how Aggregate Demand and Aggregate Supply determine equilibrium price and output in the short-run and the long-run.
  15. Discuss the multiplier concept, how it is computed, and its qualifications and limitations.
  16. Discuss the concepts, tools, and implementation of fiscal policy, its limitations and relative advantages and disadvantages, and how it affects aggregate economic activity.
  17. Discuss the concepts, tools, and implementation of monetary policy, its limitations and relative advantages and disadvantages, and how it affects aggregate economic activity.
  18. Describe the concepts of Comparative Advantage, Balance of Payments and its components, and the determinants of Exchange Rates.
- F. Microeconomics
1. Discuss fundamental economic models, their assumptions, and their applications.
  2. Explain the multiple roles of government in a market economy and discuss the pros and cons of each.
  3. Calculate the elasticity of demand and supply and apply the concept to changes in total revenue.
  4. Explain and measure cross elasticity of prices of related goods and of changes in income.
  5. Explain and apply the concept of floors and ceilings to determine price and output effects.
  6. Explain the theory of consumer behavior and apply it to predict the law of demand.
  7. Demonstrate the law of demand using indifference curve analysis.
  8. Explain the law of supply and its relationship to costs in both the short-run and the long-run.
  9. Apply market theory to the varying competitive situations involved in pure competition, monopolistic competition, oligopoly, and monopoly to predict variations in price and output.
  10. Explain the marginal productivity theory and how it relates to the demand and supply of resources.
  11. Analyze the determination of market wages using the alternative economic models of pure, monopoly and monopsony competition.
  12. Apply modern economic theory as it pertains to factor selection in the marketplace to determine how resources are employed.
  13. Explain market failures and the roles of government as it pertains to externalities.

# 2023-24 Competitive Events Guidelines

## Foundations of Economics



14. Analyze the outcomes of market determined income as it relates to income inequality and appraise the outcomes of various policies on income redistribution.
  15. Define Opportunity Costs, demonstrate how they affect economic decisions and identify these costs in a given economic decision.
  16. Recognize and interpret a Demand Curve and a Supply Curve and identify the underlying determinants of each.
  17. Define the general concept of Elasticity for different variables in the demand or supply function and describe the effect of a given elasticity on economic outcomes (e.g., revenues, tax burden, and policy choices).
  18. Determine the forces of demand and supply and how they interact to determine an equilibrium price.
  19. Describe how and why equilibrium prices might change and their impact on resource allocation.
  20. Discuss the theory of consumer behavior.
  21. Discuss the theoretical market structures of perfect competition and monopoly.
- G. Money and Banking
1. Describe and explain the role of money, banking, and savings in everyday life.
  2. Explain how interest rates are determined by market forces that influence the amount of borrowing and saving done by investors, consumers, and government officials.
  3. Describe how interest rates balance savings and borrowing and affect consumer purchasing power.
  4. Identify the risk/return trade-offs for saving and investing.
  5. Evaluate the impact of employment/unemployment on investment and savings.
  6. Describe how saving and investing influence economic growth (capital formation).
  7. Explain the role of credit in a market economy.
  8. Compare the advantages and disadvantages of using various forms of credit and the determinants of credit history.
  9. Explain the role of banks in facilitating the exchange of financial resources (e.g., loans, creating money, checking accounts, and the Federal Reserve System).
  10. Distinguish between short-term and long-term interest rates and explain their relative significance.
  11. Describe the functions of the financial markets.
- H. Public Sector Economics
1. Develop and compare analytical methods of analyzing government, including public interest model, public choice model, and welfare economics.
  2. Describe various revenue mechanisms used by governments.
  3. Identify the major sources of revenue and major classes of expenditure at the federal, state, and local levels.
  4. Discuss the causes of a rise in government spending.
  5. Analyze how self-interest in the political process affects policy outcomes.
  6. Explain the concepts of “public goods” and “externalities.”
  7. Analyze individual demand for public goods.
  8. Explain why special interests often win out over the “general interest.”
  9. Explain the effects of social insurance – social security and health care.

# 2023-24 Competitive Events Guidelines



## Foundations of Economics

10. Explain the economic effects of deficit spending and unbalanced budgets.
11. Explain why types of goods and services the government should provide and under what conditions and level they should be provided.
12. Describe and analyze public sector failures.