


<p>المادة: علم الاقتصاد شهادة الثانوية العامة فرع الاجتماع والاقتصاد نموذج رقم 5 - انكليزي المدة : ثلاث ساعات</p>	<p>الهيئة الأكاديمية المشتركة قسم الاجتماع والاقتصاد</p>	 <p>المركز اللبناني للبحوث والدراسات</p>
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نموذج مسابقة (يراعي تعليق الدروس والتوصيف المعدل للعام الدراسي 2016 – 2017 وحتى صدور المناهج المطورة)

Obligatory Set: Using Economic Concepts and Techniques (8 points)

1. The stock and shares witnessed severe fluctuations in prices due to speculations in New York Stock Exchange in 1929 was a result of a principle applied in the Classical Liberal system that was adopted by the United States of America.

1.1 Name this principle. (0.25 point)

1.2 Show the negative effect of this principle on the economic situation in 1929 while following a logical sequence. (0.75 point)

2. The cost of importing an agricultural product reached 2,000 m.u while the per- unit selling price of this product in the home country reached 1,500 mu. Knowing that the cost of freight reached four times the one of insurance,

2.1 Calculate the cost of insurance and the cost of freight for this product. (0.5 point)

2.2 Assuming that the cost of the same agricultural product in the importing country reached 3,000 m.u, specify a negative economic result in case the State adopted a neutral position. (0.25 point)

3. Most public industrial enterprises in a certain country suffer from a financial deficit and a drop-in productivity level as result of an ineffective and excessive recruitment.

3.1 Suggest a choice that the State may adopt in case it decides to intervene. (0.25 point)

3.2 Evaluate, from an economic perspective, this choice. (0.5 point)

3.3 In case the State decided to keep these enterprises in the public sector, specify a reason for adopting this choice. (0.25 point)

4. An investor decided to establish a factory for producing school bags in one of the Lebanese regions. After conducting the preliminary needed studies, it appeared that the project requires the following costs prior to production:

- 300,000 mu to purchase the building
- 280,000 mu for technical equipment
- 20,000 mu for the feasibility study

It is expected that the per-unit cost of production is 520 mu and that the total revenues of the project in case it reaches a maximum production capacity is 640,000 mu. The profit margin per school bag is estimated at 120 mu.

Knowing that that interest rate on saving deposits is 7%, specify the most appropriate choice for this investor? Justify your answer. (2 points)

5. 5.1 Classify the following objectives according to their nature: operational or general: (0.75 point)

a) Company X decided to take practical measures to increase workers' productivity and ensure a productive working environment

b) Company Y decided to organize three awareness campaigns on the safety requirements of sales people for three days starting 1/11/2015

c) Company Z decided to promote its exports through working on reducing its production costs
5.2 State two different measures that may be adopted by each of company X and Y for each to reach its objectives. (0.5 point)

6. An enterprise decided to produce wooden tables. After conducting a feasibility study, it turned out that investment level required for this project is 300,000 mu and the lifetime of the project is 10 years and that the investment focused on producing 800 tables yearly in a way that the per-unit selling price is 100 mu. It as well appeared that the per-unit fixed cost is 10 mu when the per-unit variable cost is four times the per-unit fixed cost.

Calculate the present value of the expected cash flows knowing that the yearly interest rate is 8%. Analyze the result. (2 points)

Study one of the following optional sets:

First Optional Set: Analyzing Economic Documents (12 points)

Document no.1:

What is happening in the region prepares for a new historical stage that is similar in depth and breadth to the events of the early fifties of the last century. Back then, the intellectuals and the main journalists pushed Lebanon economically in the direction of the choice of an open market economy and trade exchange became free and the principle of free movement of capital was adopted (...) The Lebanese pound was also recognized as a currency with an exchange rate that depends on the forces of supply and demand.

المصدر: جمعية مصارف لبنان ٢٠١١

Document no.2:

(...) It is not shocking or surprising that the events in the region, in addition to the ongoing and deepening political crisis in Lebanon were reflected through a decrease in the economic growth rate from 9% to 8% to 4% from 2008 to 2009 to 2010 and to 2.5% in 2011. It is also not surprising that most economic activities are recording a deceleration or a remarkable decrease over the same period in 2012.

(...)The decline in the external climate has become a growing concern on the economic and social levels as the excessive Lebanese dependence on the markets of the Middle East and North Africa will lead to a decrease in exports, especially as 70% of the destinations of the Lebanese goods lie in countries experiencing growing political tensions. (...) In this context, the International Monetary Fund (IMF) suggests that the cost of a stagnation on employment may represent a continuous loss of revenues, a decline in life expectancy at birth and a drop in academic achievement.

(...) Whatever the reasons, the result is one: youth without work. Beirut, the capital, is considered the most prevalent area where this phenomenon is spread as the population growth rate exceeds the available economic capacity; a fact that leads to the spread of unemployment.

المصدر: نفسه

Document no.3: Movement of exports and imports in Lebanon

Years	2008	2009	2010	2011	2012
Exports (Million USD)	3,478	3,484	4,253	4,265	4,483
Imports (Million USD)	16,137	16,242	17,964	20,158	21,279

المصدر: التقرير الاقتصادي، غرفة التجارة والصناعة

Referring to the documents above, answer the following questions:

1. Deduce the type of economic system that was prevalent in the early fifties in Lebanon referred to in document no. 1. (0.5 point)
2. 2.1 Specify the three principles of the economic system that are referred to in document no.1. Then, mention one negative consequence that may occur from the implementation of each of these principles. (1.5 points)
2.2 Suggest an appropriate measure to solve each of these negative consequences. (0.75 point)
3. Referring to document no.2:
3.1 Extract a negative economic consequence that may result from the influence of the events of the region on trade transactions. (0.25 point)
3.2 show the effect of this consequence on the stage of the economic cycle referred to in the document. (1 point)
4. 4.1 Show how one of the economic principles referred to in document no.1 may aggravate the economic problem referred to in document no.3 (1 point)
4.2 Explain the effect of this problem on the social situation referred to in the last paragraph of document no.2 (0.75 point)
5. Deduce the developmental problem referred to in document no.2. Justify your answer by one proof from the document. (0.75 point)
6. Specify the form of growth referred to in document no.2 showing its effect on the problem highlighted in document no.3 (1 point)
7. The above documents present two economic problems, one social and one developmental problem. Write a text in which you suggest: (4.5 points)
 - An appropriate policy to solve both economic problems and the social problem while mentioning two measure within the policy
 - An appropriate policy to solve the developmental problem while mentioning two measures within the policy
 - Explain the effect of applying the measures of each of both policies in solving each of the stated problems

Second Optional Set: Writing an Economic Essay (12 points)

Document no.1: Unemployment Situation in Lebanon – 2013

One of the major problems which has been described as an incurable disease is the issue of unemployment. Estimates indicate that the unemployment rate almost reached 37%. In other words, one unemployed out two lost his/her job for economic reasons (...) Also some perceive unemployment as a problem resulting from a discrepancy on the qualitative and quantitative levels of demand and supply. Studies reveal a higher unemployment rate in the current time compared to previous years. A report issued by some economic experts reveal that there are main reasons for the elevated unemployment rate, some of which are:

- The effect of the disturbances affecting Syria on the domestic exports
- The flow of capital from inside and outside for investment in treasury bills
- The huge discrepancy between the educational system and the labor market requirements
- The inability to cope with the global economic changes and the focus on a service economy rather than a productive one
- The government reducing the customs duties on some imports
- The increase in the average price level of consumption goods

المصدر: تقرير صادر عن المركز الوطني للدراسات الإستراتيجية

Document no.2:


Unemployment in Lebanon has reached an extent that predicts an economic catastrophe if immediate treatments are not started and if the plans and solutions that represent the following main items are not developed:

1. Resolve the conflict and the political crisis and achieve political and security stability
2. Develop a comprehensive economic program that generates jobs
3. Prepare a comprehensive training program to address the imbalance between supply and demand in the labor market
4. Encourage enterprises in order to create new job opportunities

المصدر: نفسه

Referring to the above two documents and your acquired knowledge, address this essay by:

- Specifying the reasons of unemployment in Lebanon while clarifying the relationship between each reason and the resulting unemployment type
- Explaining the effect of achieving the first item of document no.2 on one of the unemployment types
- Naming a policy referred to in each of items 2, 3 and 4 to solve unemployment while evaluating the implementation of the policy referred to in item 4
- Specifying two appropriate measures within each policy while explaining how they may contribute in solving each of the unemployment types

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أسس التصحيح (تراعي تعليق الدروس والتوصيف المعدل للعام الدراسي 2016 – 2017 وحتى صدور المناهج المطورة)

Obligatory Part: Using Concepts and Techniques (8 points)

1.1.1 Absolute freedom of individual initiative (0.25 point)

1.2 Effect: the absolute freedom of individual initiative leads to speculations; which means not using financial capital in productive investment → reduction in investment levels → reduction in production → reduction in economic growth (0.75 point)

2.1 Cost of importing = 2,000 m.u, per-unit selling price = 1,500 mu, freight cost = 4 × insurance cost

Cost of importing = per-unit selling price at the home country + freight cost + insurance cost
 $\Rightarrow 2,000 = 1,500 + 4X + X \Rightarrow 5X = 500 \Rightarrow X = 500/5 = 100$ mu (insurance cost)

\Rightarrow freight cost = 4 × 100 = 400 mu (0.5 point)

2.2 Cost of importing = 2,000 mu, production cost = 3,000 mu

Negative effect: increase in importing this product or decrease in the competitiveness of this agricultural product locally (0.25 point)

3.1 Privatization (0.25 point)

3.2 Positively: Increase in productivity (0.25 point)

Negatively: monopoly within the absence of competition (0.25 point)

3.3 The effect on the overall price level to prevent inflation OR the effect on the economic activity (monopoly) (0.25 point)

4. Profitability rate = $\frac{\text{Profit}}{\text{investment}} \times 100$

Investment = 300,000 + 280,000 + 20,000 = 600,000 mu

Price of one bag = cost of producing one bag + margin profit = 520 + 120 = 640 mu

Profit = Profit of one bag × quantity = 120 × 1000 = 120,000 mu

Profitability rate = $\frac{120,000}{600,000} \times 100 = 20\%$

As the profitability rate (20%) is greater than the interest rate on psaving deposits (7%), the investor should invest in this project. (2 points)

5.1 a) General objective (0.25 point) b) Operational objective (0.25 point) c) General objective (0.25 point)

5.2 Company X: organizing training sessions for workers (0.25 point per measure)

Company Z: adopting the appropriate combination of factors of production

6. $I_0 = 300,000$ mu, $n = 10$ years, $Q = 800$ bags yearly, per-unit selling price = 100 mu (per table)
Average fixed cost = 10 mu, average variable cost = $4 \times 10 = 40$ mu, $i = 8\%$

$$V_0 = F \frac{1 - (1 + i)^{-n}}{i} - I_0$$

Yearly revenues = $800 \times 100 = 80,000$ mu (0.25 point)

Average cost (Per-table cost) = average fixed cost + average variable cost = $10 + 40 = 50$ mu

Total cost = $50 \times 800 = 40,000$ mu (0.25 point)

Yearly cash flows = yearly revenues – yearly costs = $80,000 - 40,000 = 40,000$ mu (0.5 point)

$$V_0 = 40000 \frac{1 - (1 + 0.08)^{-10}}{0.08} - 300,000 = -31596.74 \text{ mu (0.5 point)}$$

As the accumulated value of cash flow (31596.74 mu) is negative, the project is not feasible.
(0.5 point)

Study one of the following optional sets:

First Optional Set: Analyzing Economic Documents (12 points)

1.1.1 Classical Liberal System (0.5 point)

1.2 Freedom of trade (0.25 point), negative effect: balance of trade deficit (0.25 point)

Freedom of capital movement (0.25 point), negative effect: capital flight (0.25 point)

Freedom of currency exchange (0.25 point), negative effect: monetary speculations or deterioration in the value of the national exchange rate (0.25 point)

2.2 Balance of trade deficit (0.25 point for each measure)

Measure: increase customs duties (tariffs) on imported products over a short period of time

Capital flight

Measure: impose a ceiling on the amount of capital that can be transferred abroad during periods of crisis

Deterioration in the value of the national exchange rate

Measure: adopting an official exchange rate for national currency

3.1 Decrease in exports (0.25 point)

3.2 Effect on the stage of the economic cycle (economic recession) (1 point)

Decrease in exports implies a decrease in the demand for locally produced output abroad → decrease in investment → decrease in production → decrease in economic growth (within an economic recession)

Note: the student should mention economic recession to get 0.25 point

4.1 Free international trade → competition of foreign products for locally produced ones → decrease in the demand for locally produced output inside the country and abroad → decrease in exports with an increase in imports → increase in the balance trade deficit (1 point)

4.2 The balance of trade deficit means an increase in imports at a rate that is greater than the increase in exports meaning that there is an increase in the demand for foreign products with a

decrease in the demand for local products → decrease in investment → decrease in job opportunities → Unemployment (0.75 point)

5. Decrease in human development (0.5 point); proof: “a decline in life expectancy and a drop in academic achievement.” (0.25 point)

6. Regressive growth (0.25 point) meaning the inability to meet the needs of the citizens → increase in imports to satisfy the needs → increase in imports with a decrease in exports → balance of trade deficit (0.75 point)

7. The text (0.5 point for mentioning the policy and 0.5 point for each measure)

The Problem	The Policy	The measure
Lower growth (economic recession) Balance of trade deficit Unemployment	Expansionary supply side policies	To reduce production cost: decrease interest rates on loans issued for investment or any other appropriate measure To increase productivity: ensuring the availability of competitive markets that oblige firms to innovate and renew their machinery and equipment
Decrease in human development	Human development policy	Increase public spending on education Increase public spending on health (Students may mention other measures affecting human development)

Links:

Reduce cost of production and increase productivity lead to better competitiveness → increase in demand on consumption (goods and services) → Increase in investment → Increase in production → increase in economic growth (0.25 point)

From another side, increase in investment → increase in new job opportunities → decrease in unemployment (0.25 point)

Also, enhancing the competitiveness → increase in the demand for locally produced output in the country and abroad → increase in exports with a decrease in imports → decrease in the balance of trade deficit (0.25 point)

Increase in spending on public education → increase in academic achievement (0.25 point)

Increase in spending on public health → increase in life expectancy at birth (0.25 point)

This will in turn lead to an improvement in the human development level (0.25 point)

Second Optional Set: Addressing an Economic Subject (12 points)

Introduction (3 points) → 2 points for the content, 0.5 point for the problematic and 0.5 point for the methodology

The student gets the full mark on the methodology when he mentions the problem and the key points he is going to address in the content.

Specifying the problems:

The cyclical unemployment is high as a result of the decrease in growth and dismissing workers from jobs (for economic reasons)

The structural unemployment: "Also some perceive unemployment as a problem resulting from a discrepancy on the qualitative and quantitative aspects of demand and supply."

The problematic: How may the Lebanese government implement appropriate policies and measures to overcome the above problems?

Body: (7 points)

Methodology: (1 point)

The student receives the full mark on the methodology when he/she:

- Presents the main idea at the beginning of the paragraph while supporting each idea with the relevant evidence.
- Links the paragraphs with transitional sentences
- takes into account the sequence of ideas according to the steps presented in the introduction.

Content: Unemployment reasons (3 points)

- The effect of the disturbances affecting Syria on the domestic exports → decrease in exports → decrease in investment → decrease in job opportunities → cyclical unemployment
- The inflow of capital from abroad and the investment in treasury bills → not using the financial capital in productive investments that may lead to the creation of job opportunities → decrease in investment → decrease in job opportunities → cyclical unemployment
- The huge discrepancy between the educational system and the labor market requirements → conflict between the demand and supply in the labor market → structural unemployment
- The inability to cope with the global economic changes and the focus on a service economy rather than a productive one → decrease in job opportunities → structural unemployment
- The government reducing the customs duties on some imports → decrease in the prices of imported products → increase in the competitiveness of these products → increase in the demand of imported products → decrease in the demand of locally produced output → decrease in investment → decrease in job opportunities → cyclical unemployment
- Increase in the prices of consumption goods → decrease in the purchasing power → decrease in investment → decrease in job opportunities → cyclical unemployment

The first axe:

Political and security stability → achieve civil peace → attracting investment → increase in investment → creation of job opportunities → decrease in cyclical unemployment (0.25 point)

1. Expansionary supply side policies (0.25 point) through decreasing production cost and increasing productivity

Measures to reduce cost of production (0.25 for each measure to reduce cost):

Reducing interest rates on loans issued for investment (or any other measure that reduces costs) (0.25 point for the link with costs)

To increase productivity (0.25 point for the measure to increase productivity) through ensuring the availability of competitive markets which obliges producers to renew their machinery and equipment (0.25 point for the link with productivity)

Explaining the link between the measures and reduction of cyclical unemployment (0.25 point for the link with cyclical unemployment)

Decrease in production cost + increase in productivity → increase in the competitiveness of the supply; which leads to an increase in the demand for consumption (goods and services) → increase in investment → creation of job opportunities and reduction of cyclical unemployment

2- Policy to solve for structural unemployment: active labor policy (0.25 point for the policy)

Two measures:

- Providing the unemployed with training sessions aiming at helping them acquire additional skills that help them get new jobs (0.25 point per measure)

- Orienting students to study the needed specializations in the labor market (0.25 point per measure)

Link: bridging the gap between the skills and the needs → reducing the conflict between the demand and supply → reduction of structural unemployment (0.25 point for the link)

3. The policy of creating job opportunities in the private sector (encouraging firms to create new job opportunities) to combat cyclical unemployment (0.25 point for the policy)

Measures: (0.25 point per measure)

- provision of soft loans
- Provision of tax incentives

Link with the cyclical unemployment (0.25 point for the link)

Evaluation of the policy:

Positive effect: reduction of unemployment

Negative effect: costly for the treasury (0.5 point)

Conclusion (2 points)

Methodology: 0.5 point

Content: 1.5 point

Methodology: The answer to the problem - the result

Content: Summarize the ideas presented in the body of the essay