

الاسم:  
الرقم:

مسابقة في مادة الاقتصاد  
المدة: ساعتان ونصف

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

1. Copy the following table on the answer sheet, and then fill it with the appropriate answers. (2 pts)

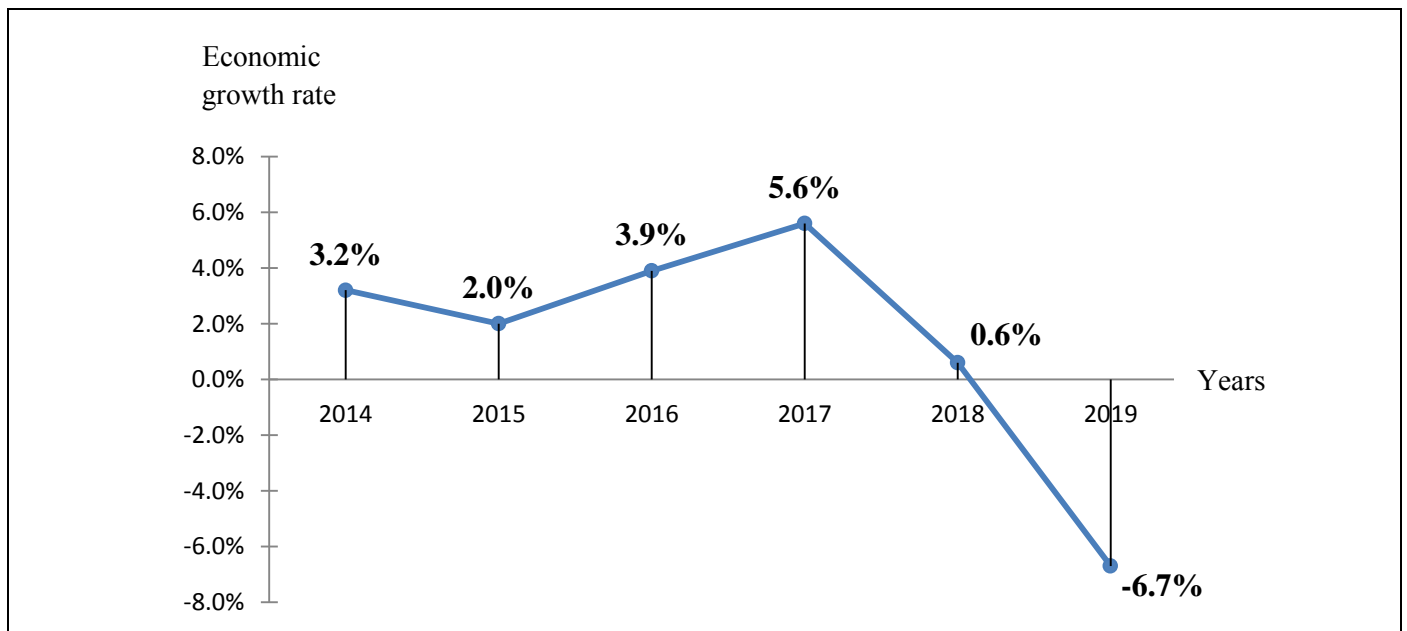
Problem	Adequate policy to solve the problem	Measure within this policy
1.1. Increase in the concentration of income		
1.2. Trade balance deficit		
1.3. Monopoly resulting from free pricing		
1.4. Budget deficit		

2. Suppose that the investment function is represented by:  $I = -40(i) + 570$ , where (i) is the interest rate. (amounts in monetary units)
- 2.1. Calculate the value of investment knowing that the interest rate is 10%. (0.5 pt)
- 2.2. If the interest rate decreased to 7%; calculate the new value of investment and analyze the relation between the interest rate and the value of investment. (1pt)
3. Mr. Fadi has an amount of 55,000 m.u. and he has two options:
- 1<sup>st</sup> option: depositing the amount in the bank for 4 years with a yearly simple interest of 5%.  
2<sup>nd</sup> option: depositing the amount in the bank for 4 years with a yearly compound interest of 5%.
- 3.1. Calculate the amount of interest that Mr. Fadi will earn in each of the two options. (1 pt)
- 3.2. Specify the best choice for Mr. Fadi, and state the cause of the difference between the two amounts of interests earned. (0.5 pt)
4. The quantity of production of a certain product increased from 60 units to 100 units due to an increase in its price from 6000 m.u to 9000 m.u.  
Calculate the price elasticity of supply for this product and analyze the result. (1 pt)
5. Justify each of the following statements:
- 5.1. According to Rostow theory, the traditional society stage is characterized with low productivity. (0.5 pt)
- 5.2. The security disturbances contribute in decreasing the economic growth. (0.75 pt)
- 5.3. Human resources development contributes to enhance the economic growth. (0.75 pt)

**Choose one of the following Sets :**

**First Optional Set: Analyzing Economic Documents : (12 points)**

**Document no.(1): The Economic Growth Rate in Lebanon**



### **Document no.(2):**

Lebanon is passing through the pressure of an economic crisis that it has not witnessed in its history, as Lebanon has become the second largest in the world in terms of inflation. The Lebanese citizen notices the increase in commodity prices day after day, especially after the rise in the dollar exchange rate. Lebanon witnessed a significant increase in the inflation rate at the end of 2020, and the higher the inflation rates, the negative impact on the economy. The impact of inflation on low-income families appears significantly, because they are severely affected by the increase in the prices of goods and services, and suffer from increased food prices, electricity and heating bills. Inflation also affects the savings of individuals. If the inflation rate is higher than the interest rate, this means that the purchasing power of savings is actually declining. In his publication in a British newspaper, Steve Hankey indicated that inflation reached 500% in June 2020 and 124% per month. Lebanon has also become titled as the country of one million unemployed people. Universities graduate tens of thousands of students from all disciplines annually who cannot find work in their specialization, due to the lack of linking educational curricula with the requirements of the labor market. The unemployment rate in Lebanon increased after the rise in the exchange rate and the spread of the Corona epidemic, which prompted institutions to shut down, and dismiss many workers and employees.

المصدر: جريدة النهار 2021-04-5

### **Document no.(3):**

Recently Lebanon witnesses the bankruptcy of the financial sector and the deterioration of the value of the national currency, followed by successive collapses which threaten the existence of the society. This crisis is not the result of chance, but rather results from the accumulation of a huge amount of financial losses in the form of bank deposits, economic losses represented by the shallow depth of the productive base, and above all, human losses expressed by the emigration of about 850 thousand young individuals.

(...) No efforts have been made to build a productive economy that meets the needs of the society, to develop and improve a sector, or even to provide public services such as medicine, education, housing and services or public transport. This has entered Lebanon into the greatest crisis in its history due to the high levels of poverty and the expected emigration in exchange for draining the society of its qualifications and skills. All this is happening while its resources are drained.

المصدر: جريدة النهار 2021/5/12

### **Referring to the above documents, answer the following questions:**

1. By referring to the data given in document no (1), Specify the stages of the economic cycle that Lebanon passed through between year 2014 and year 2019, and justify your answer by a proof for each stage. **(2 pts)**
2. By referring to document no. (2):
  - 2.1 Determine the economic problem resulting from the high prices of goods and services. **(0.5 pt)**
  - 2.2 Deduce the two types of unemployment mentioned in the document, justify your answer by referring to one proof for each type. **(1.5 pts)**
  - 2.3 Show the impact of the economic problem specified in question no (2.1) on one of the two types of unemployment. **(1 pt)**
3. By referring to document no(3):
  - 3.1 Extract the monetary impact of inflation. **(0.5 pt)**
  - 3.2 Link the relation between inflation and this monetary impact. **(0.75 pt)**
  - 3.3. Name the principle of the classical liberal system that may lead to this impact. **(0.5 pt)**
4. Document no (3) states that: "The human losses expressed by the emigration of 850,000 young people."
  - 4.1. Extract the negative effect of emigration. **(0.5 pt)**
  - 4.2. Show how the emigration can contribute to overcome the stage of the economic cycle that Lebanon passed through between year 2018 and year 2019 according to the data in document no(1). **(0.75 pt)**
5. Documents (1) and (2) indicate two economic problems and one social problem from which Lebanon suffers, write a text in which you suggest:
  - An appropriate policy to solve the two economic problems and one of the two types of unemployment mentioning two measures within this policy and linking between the application of the two measures and the solution of the economic and social situations.
  - An appropriate policy to solve the other type of unemployment, a measure within this policy and linking between the measure and the solution of the problem. **(4 pts)**

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

#### **Document:**

In the year 2020, Lebanon witnessed several crises, including a huge explosion in the port of Beirut, an economic collapse, increasing political disturbances, and the outbreak of the "Corona" virus, all of which combined to threaten the basic rights of the population. The Lebanese pound has also lost 80% of its value since October 2019, weakening people's ability to access basic commodities such as food, housing, and health care. The corona virus outbreak has aggravated poverty and economic difficulties. The economic crisis and the outbreak of the Corona virus have severely affected the medical sector, weakening the ability of hospitals to provide life-saving care .

Moreover, the corona epidemic and the transition to distance education have aggravated inequality and increased the risk of students, especially the weakest ones, will not return back to schools after their re-opening.

And from other side, despite of the endorsement of a law to manage the solid wastes in 2018 which forbid the combustion of wastes in the open air. The municipalities continue these practices, exposing the health of the population to danger, especially children and the elderly people.

Source : world report – 2021 <https://www.abwmonline.com/archives/51044>

### **Referring to the information presented in the above document and to your acquired information, write an essay in which you discuss the following points:**

- The situation of human development and the sustainable development in Lebanon.
- A development policy to enhance each situation.
- A measure to improve each indicator of the human development indicators.
- A measure to improve the situation of the sustainable development.
- The effect of the application of each measure on the economic situation.

أسس التصحيح  
مسابقة في مادة الاقتصاد  
المدة: ثلاث ساعات**Obligatory Set: Using Economic Concepts and Techniques: (8 points)**

1. (0,25 pt/ each)

Problem	Adequate policy to solve the problem	Measure within this policy
1.1. Increase in the concentration of income	Income redistribution policy	-Imposing progressive direct taxes or increase social benefits
1.2. Trade balance deficit	Protectionist policy	-Imposing high quality standards on imports or - Limiting the quantity of imports (quota system) or - Imposing high custom duties or tariffs on imports
1.3. Monopoly resulting from free pricing	Policy of price control	- Fixing the prices of essential goods or - Imposing a limit on profits margin on the economic enterprises
1.4. Budget deficit	Privatization Or fiscal or financial policy	BOO-BOT Or reduce or at least stabilize public expenditures (austerity) Or increase direct and indirect taxes

2.

$$2.1. \quad I = -40(i) + 570$$

$$I = -40(0.1) + 570 = 566 \text{ m.u (0.5 pt)}$$

$$2.2. \quad I = -40(i) + 570$$

$$I = -40(0.07) + 570 = 567.2 \text{ m.u (0.5 pt)}$$

When the interest rate decreased from 10% to 7% the investment value increased from 566 m.u to 567.2 m.u **(0.25 pt)** thus there is an inverse relation between investment and interest rate. **(0.25pt)**

3.

$$3.1 \text{ 1}^{\text{st}} \text{ option: } In = Co \times i \times n \text{ (0.25 pt)}$$

$$= 55,000 \times 0.05 \times 4 = 11,000 \text{ m.u (0.25 pt)}$$

$$2^{\text{nd}} \text{ option: } In = Co((1+i)^n - 1) \text{ (0.25 pt)}$$

$$= 55000((1+0.05)^4 - 1) = 11852.84 \text{ m.u (0.25 pt)}$$

3.2 The best option is the second option **(0.25 pt)** since the amount of interest resulted from depositing the amount according to the 2nd option 11852.84 is greater than the first one. **(0.25 pt)**

(In case of compound interest, the interest is added to the capital at the end of each period so interest is earned on the capital and on the interest.)

4-

$$PES = \frac{\Delta Q}{Q} \div \frac{\Delta P}{P} \text{ (0.25 pt)}$$

$$PES = \frac{100 - 60}{60} \div \frac{9,000 - 6,000}{6,000} \text{ (0.25 pt)} = \frac{0.66}{0.5} = 1.33 \text{ (0.25 pt)}$$

PES = 1.33 > 1 elastic production (supply) **(0.25 pt)**

**5. Justify each of the following statements:**

**5.1.** According to Rostow theory, the traditional society stage is characterized with low productivity due to the use of old or primitive and outdated machines and equipment and unskilled, unspecialized labor force. **(0.5 pt)**

**5.2.** The security disturbances → threat of civil peace → capital flight **(0.25 pt)** → ↓ investment **(0.25 pt)** → ↓ production **(0.25 pt)** → ↓ economic growth

**Or** The security disturbances → discourage local and foreign investor **(0.25 pt)** → ↓ investment **(0.25 pt)** → ↓ production **(0.25 pt)** → ↓ economic growth

**5.3.** Human resources development → availability of specialized and qualified labor force **(0.25pt)** → ↑ productivity **(0.25pt)** → ↑ GDP **(0.25 pt)** → ↑ economic growth

**or**

Human resources development → availability of specialized and qualified labor force **(0.25pt)** → ↑ productivity **(0.25 pt)** → ↑ competitiveness **(0.25pt)** → ↑ demand on consumption → ↑ investment → ↑ production → ↑ economic growth **(0.25pt)**.

**First Optional Set: Analyzing Economic Documents : (12 points)**

**1-**(2014-2015) economic crisis (recession) **(0.25 pt)** since the economic growth rate decreased from 3.2% to 2% **(0.25 pt)**

(2015-2017) economic recovery **(0.25 pt)** since the economic growth rate increased from 2% to 5.6% **(0.25 pt)**

(2017-2018 economic crisis (recession) **(0.25 pt)** since the economic growth rate decreased from 5.6% to 0.6% **(0.25 pt)**

(2018-2019) economic crisis (depression) **(0.25 pt)** since the economic growth rate decreased from 0.6% to -6.7% **(0.25 pt)**

**2**

**2.1-** monetary inflation **(0.5 pt)**

**2.2 –** structural unemployment **(0.5 pt)**

**Proof:** Universities graduate tens of thousands of students from all disciplines annually who cannot find work in their specialization, due to the lack of linking educational curricula with the requirements of the labor market. **(0.25 pt)**

Cyclical or circumstantial unemployment **(0.5 pt)**

**Proof:** Lebanon is passing through the pressure of an economic crisis or after the rise in the exchange rate and the spread of the Corona epidemic, which prompted institutions to shut down **(0.25 pt)**

**2.3 –** monetary inflation → ↑ cost of production → ↑ prices of goods **(0.25 pts)** → ↓ competitiveness **(0.25 pt)** → ↓ demand on consumption → ↓ investment **(0.25 pt)** → ↓ job opportunities → ↑ cyclical unemployment **(0.25 pt)**

or monetary inflation → → ↑ prices of goods **(0.25 pts)** → ↓ purchasing power → ↓ demand on consumption **(0.25 pt)** → ↓ investment **(0.25 pt)** → ↓ job opportunities → ↑ cyclical unemployment **(0.25pt)**

**3-**

**3.1-** deterioration in the value of the national currency **(0.5 pt)**

**3.2-** The purchasing power of the local currency decreases due to inflation → people start exchanging their local currencies with foreign ones (as to maintain their purchasing power) **(0.25pt)** → increase in the demand for foreign currency **(0.25pt)** → increase in the value of foreign currency (appreciation) and decrease of the value of the domestic currency (depreciation) → deterioration in the value of the local exchange rate **(0.25pt)**.

**3.3-** Freedom of exchange rate **(0.5 pt)**

4-

**4.1-** draining the society of its qualifications and skills. All this is happening while its resources are drained (**0.5 pt**)

**4.2-** emigration → ↑foreign transfers (**0.25 pt**) → ↑liquidity → ↑purchasing power → ↑demand on consumption (**0.25 pt**) → ↑investment → ↑production (**0.25 pt**) → ↑economic growth.

Or emigration → ↑foreign capital or ↑capital inflows (**0.25 pt**) → ↑investment (**0.25 pt**) → ↑production (**0.25 pt**) → ↑economic growth.

5-

An appropriate policy to solve the two economic problems and one of the two types of unemployment (cyclical unemployment):

- Supply side policy. (**0.5 pt**)

Measures within this policy:

**To reduce the cost of production: (0.5pt for the measure)**

- Fighting inflation through reducing the cost of the factors of production or fixing wages and salaries or
- Decrease the interest rate on soft loans ready for investment or
- Alleviating taxes

**To improve the quality of local produced goods:**

- Ensuring a competitive environment by obliging economic enterprises to renew their machines. (**0.5pt for the measure**)

- **Link:**

Decrease the cost of production and improve quality (or increase productivity) → ↑purchasing power (**0.25 pt**) → ↑demand on consumption (**0.25 pt**) → ↑investment (**0.25 pt**) → ↑production → ↑economic growth.

Decrease the cost of production and improve quality (or increase productivity) → ↑competitiveness → ↑demand on consumption → ↑investment (**0.25 pt**) → ↓cyclical unemployment.

**An appropriate policy to solve to solve the structural unemployment:**

- **Active policy of labor(0.5 pt)**

**Measure:**

- Train employees and unemployed on new technologies required by the labor market. (**0.5 pt**) → matching between the nature of demand and the nature of supply of labor in the labor market → ↓structural unemployment. (**0.5 pt**)

**Second Optional Set: Writing an Economic Essay**

**Introduction: (2 points for the content & 1 point for the style)**

**Methodology:**

Students receive the full mark on the methodology if they mention an adequate and coherent issue (problematic) and announce the main points to be discussed in the body.

**Content:**

-Specifying the situation of human development and the sustainable development in Lebanon.

**Example of the problematic:** How can the Lebanese government achieve the human development and the sustainable development objectives during the economic and political crisis taking place in the country?

**Body (7 points): ( 1 point for the style and 6 points for the content)**

**Methodology:**

Students receive the full mark on the methodology when: (**1 point**)

- Presenting each main point at the beginning of a paragraph and supporting it with valid arguments, evidence and statements.
- Connecting the paragraphs with appropriate transition sentences in a coherent and sequential manner as proposed in the introduction.
- Presenting the ideas in the sequence and steps mentioned in the introduction.

**Content: (6 points)**

- Decrease in the human development in Lebanon today due to the economic crisis and the outbreak of the Corona virus have severely affected the medical sector and the transition to distance education have aggravated inequality
- Mentioning an appropriate policy to achieve human development: /human development concept (0.5 point)
- Mentioning an appropriate policy to achieve sustainable development: /sustainable human development concept (0.5 point)

**Measures for human development:**

- increase government spending on education (1 pt)
- Impose compulsory /mandatory education
- ensure the distance learning tools for students at schools
- Increase government spending on health care (1 pt)
- Establishment and of hospitals

Measure to increase the GDP per capita:

- o Increase in social services per capita (0.5 pt)
- Measure for sustainable development (1 pt)
  - o Encouraging industries which do not pollute the environment
  - o Encouraging the use of natural resources
  - o Finding substitute sources to avoid using polluting materials

**Relation:**

Implementing the educational and medical

indicators→↑productivity→↑production→↑economic growth (0.5 pt)

↑purchasing power→↑demand on consumption (0.25

pt)→↑investment→↑production→↑economic growth(0.25 pt)

Implementing the measure of sustainable development→↑standards of living and preserve the environment with proper utilization of all resources→↑sustainable development (0.5 pt)

**Conclusion: (2 points: content: 1.5 points, methodology; 0.5 point)**

**Methodology:** Answering the problematic and synthesizing ideas.

**Content:** Summarize all the ideas that were put forth in the introduction and body and answering the problematic.