


<p>المادة: علم الاقتصاد شهادة الثانوية العامة فرع الاجتماع والاقتصاد نموذج رقم - ٤ - انكليزي المدة: ثلاث ساعات</p>	<p>الهيئة الأكاديمية المشتركة قسم الاجتماع والاقتصاد</p>	 <p>المركز العربي للبحوث والدراسات</p>
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نموذج مسابقة (يراعي تعليق الدروس والتوصيف المعدل للعام الدراسي ٢٠١٦ - ٢٠١٧ وحتى صدور المناهج المطورة)

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

1 - A country adopts the principle of absolute freedom of prices. So, it realized the following results: economic growth – fighting inflation.

1.1 - Using a logical sequence, explain the link between adopting the principle of absolute prices and achieving each of the results mentioned above. (0.5 point)

1.2 - Mention a negative economic effect that may result from adopting the freedom of absolute prices. Suggest one measure to rectify it according to the neoliberal economic system. (0.5 point)

2 - An industrial enterprise produced and sold 40,000 units at a per-unit selling price of 60 mu during 2015, knowing that the total variable cost is 1,440,000 mu and the total fixed cost is 360,000 mu

2.1 - Calculate the value of the profitability line or the break-even point. (1.5 points)

2.2 - Calculate the revenues in case the enterprise aims at achieving a yearly profit of 800,000 mu. (1 point)

3 - Justify each of the following statements: (1 point)

3.1 - Adopting a fixed exchange rate policy to fight inflation over the long-time leads to a reduction in economic growth rates.

3.2 - Increasing the taxation and social burdens on the economic enterprises in developing countries leads to an increase in the emigration rate.

4 - After discussions and consultations, the board of governors and the department heads of El Abiad industrial institution, decided to invest in buying new industrial equipment to produce new products in addition to the products that it already produces to be marketed in foreign markets.

4.1 - Specify the type of investment. (0.25 point)

4.2 - Deduce the nature (type) of administrative decision while showing in a logical sequence its effect on the sales of the institution. (0.5 point)

4.3 - Name the leadership pattern adopted in this institution. (0.25 point)

5 - The accumulation of loans and interest incurred increased the financial burden of some economic enterprises. As they couldn't cover this burden, the possibility of these enterprises shutting down began appearing in a certain country.

5.1 - Specify a social result if the State adopts a neutral position from this situation. (0.25 point)

5.2 - Name the appropriate policy if the State decides to change its stand by intervening to ensure the continuity of these enterprises. (0.25 point)

5.3 - Evaluate this policy. (0.5 point)

6 - As a result of the increase in the price of a specific product from 30 mu to P, the quantity demanded for this product decreased from 400 to 200 units. Knowing that the quantity demanded changes at the same rate of that of prices:

6.1 - Calculate the new price. (1 point)

6.2 - Explain the consumer behavior clarifying the relationship between the price of this product and its quantity demanded. (0.5 point)

**Choose one of the following sets:**

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

**Document no.1:**

In the light of the industrial survey and the statement of those who are in charge of this sector, the problems and difficulties experienced by this sector have been identified, in terms of importance:

- The increase in interest rates and difficulties in obtaining long-term loans as well as short-term loans that are often ineffective.
- The increase in the electricity cost.
- The burden of social insurance contributions on employers in the absence of a modern social protection system.
- The relatively elevated custom duties on essential raw materials needed for industrial production and the high cost of exports through ports.
- The low technical qualification of labor in industrial institutions.
- The increase in the effective value of the exchange rate of the Lebanese Lira and its resulting negative effects on the volume of exports.
- The absence of the law of competition in Lebanon and the excessive sovereignty of freedom, where the competition of foreign, regional and international companies with industries that lack proper immunity due to the low customs duties on imports becomes large in the Lebanese market.

المصدر: مجلة الدفاع الوطني - ٢٠١٢

**Document no.2:**

The industrial survey of industrialists' opinions revealed a threat of more than 40% of them considering shutting down their institutions in case the current situation persists. Another 20% think of relocating their enterprises outside Lebanon.

(...) Signing the European Partnership Agreement (which consists of the freedom of importing and exporting without customs duties) initiated various reactions, and this is understandable in a country that does not suffer from lack of openness but suffers from excessive openness that is not accompanied by measures that promote the status of economic sectors relying on the basis that the State should be concerned with the legislative institutional aspect (...)

The business community was divided between optimists and pessimists regarding this agreement. Some also warned that the agreement would turn against Lebanon especially that the technological level is different between both parties. Within this context, the critical Lebanese economic situation emerges as a real obstacle facing the improvement of the competitiveness of the economy and its products; without indulging into the details of this crisis, it suffices to mention the balance of trade deficit and what it represents from channels of foreign exchange outflows and the increase in the marginal propensity to import. In addition, the budget deficit is another negative indicator; as this deficit will forever remain a source for increasing taxes and decreasing growth.

المصدر: نفسه

**Document no.3:**

The commercial and financial sectors occupied the interface of economic activities in Lebanon and received the largest share of the officials' interest in a way that that no restrictions or impediments to trade were allowed. The optimal approach between the independence of business interests and the non-intervention of the State may have its role in economic prosperity, but in return there has been no serious interest in the requirements of industrial development.

(...) Some experts believe that it is necessary to have a developmental industrial model associated with large investments in heavy industries from one side and the ability to produce alternative industries aiming at eliminating imports. This would lead to the development of the industrial sector.

المصدر: مركز الدراسات الاقتصادية في غرفة التجارة والصناعة في بيروت وجبل لبنان - ٢٠١٣

**Document no.4:**

Indicators	Year	2010	2011	2012	2013
Economic growth rate (%)		7.5	2	2.5	1.5
Value of foreign imports (billion Lebanese Pound)		17,963	20,158	21,279	21,228
Value of local exports (billion Lebanese Pound)		4,252	4,265	4,483	3,935

المصدر: التقرير الإقتصادي ٢٠١٣ - غرفة التجارة والصناعة

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

1 -

1.1 - Extract from document no.1, four problems from which the industrial sector suffers. (1 point)

1.2 - Deduce the two problems referred to in document no.4 between the years 2012 and 2013. (0.5 point)

1.3 - Link between the effect of the problems extracted from document no.1 on each of the two problems mentioned in document no.4 (1.5 points)

2 -

2.1 - Name one of the principles of the economic systems referred to in document no.2 (0.25 point)

2.2 - Evaluate, from an economic perspective, this principle. (0.5 point)

2.3 - Name the economic system that adopts this principle. (0.25 point)

3 -

3.1 - State the two choices referred to in document no.3 and recommended by the experts to develop the industrial sector. (0.5 point)

3.2 - Specify a positive result for each choice. (0.5 point)

3.3 - Suggest a tool that the State may adopt to achieve each of the two choices. (0.5 point)

4 - Document no.1 refers to the fact that an increase in the value of the Lebanese pound creates negative effects on the volume of exports. Show the effect of the increase in the value of the Lebanese exchange rate on the volume of exports. (0.75 point)

5 -

5.1 - Deduce the developmental problem highlighted in document no.1 (0.25 point)

5.2 - Explain the effect of this problem on the economic growth highlighted in document no.2 (0.5 point)

6 - Document no.1 refers to several problems from which the industrial sector suffers. Write a text in which you: (5 points)

- specify four of these problems

- suggest a measure to solve each of the problems

- specify the result of each measure

- explain the effect of the results of the combined measures on the two economic problems referred to in documents no.2 and 4.

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

### **Document no.1:**

The agricultural sector lacks integration with the rest of the economy and suffers from the marginalization of the Lebanese authority (...) The agricultural sector contributes between eight and ten percent to the Gross Domestic Product (GDP)

- The agricultural property in Lebanon is distributed among small and fragmented holdings, medium-sized, while large holdings constitute only 3.55% of the total agricultural area.
- The Lebanese agriculture is still based on traditional crops and on varieties of fruit and vegetables that do not suit the tastes of consumers locally and abroad.
- The price of imported agricultural inputs is very high (seedlings, seeds, medicines, pesticides, crops, equipment and agricultural machinery) and is subject to the commercial. monopolistic structure, which is very high when compared to the cost of inputs in neighboring countries.
- The absence of documented statistics and information on the local market as well as on foreign markets and the international trade movement, which leads to marketing risks.
- The lending of commercial banks to this sector does not exceed 1%, which drives farmers to deal with agricultural companies according to high interest loans.
- The foreign competition with the Lebanese goods in internal markets, constitutes dumping for this market because of the support that the imported goods receives at the production and export levels and due to the difference between the systems that support the agricultural sector or marginalizes it in Lebanon .... In addition, Lebanon is almost the only country that exports output on consignment sales basis; this method is a major impediment to exporters.

المصدر: جريدة النهار - ٢٠١٤


### **Document no.2: Evolution of trade in agricultural products (thousands of dollars)**

<b>Year</b>	<b>Agricultural Exports</b>	<b>Agricultural Imports</b>	<b>Agricultural balance of trade</b>
2011	160,584	849,613	-689,029
2012	171,242	867,623	-696,381
2013	215,697	922,785	-707,088
2014	207,396	966,178	-758,782

المصدر: التقرير الاقتصادي، غرفة التجارة والصناعة في بيروت وجبل لبنان، ٢٠١٤

Based on the above two documents and your acquired knowledge, address the problems and challenges that the Lebanese agricultural sector is facing while:

- Mentioning the importance of the agricultural sector
- Suggesting an appropriate policy and an appropriate measure to solve each of the problems
- Specifying the result of each measure
- Showing the effect of the combined measures on the agricultural sector and on the agricultural balance of trade referred to in document no.2

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أسس التصحيح (تراعي تعليق الدروس والتوصيف المعدل للعام الدراسي ٢٠١٦ - ٢٠١٧ وحتى صدور المناهج المطورة)

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

1 -

1.1 - Absolute freedom of prices → Enhances competition that is the basis of technological progress → Increased productivity → Increased competitiveness → Increased demand for consumption → Increased investment → increased production → Increased growth (0.25 point)

• Absolute freedom of prices → Enhanced competitiveness that is the basis of technological progress → Increased productivity → Increased competitiveness → Increased demand for consumption → Increased investment → Job creation → decrease in unemployment (0.25 point)

1.2 - A negative economic effect: monopoly (0.25 point)

Measure: specifying the prices of goods and services or imposing a margin of profit on the enterprises' profits (0.25 point)

2 -

2.1 - Variable cost per unit (average variable cost) = Total variable cost/quantity of production = 1,440,000/40,000 = 36 mu (0.5 point)

$$Q_0 = \frac{F}{P_m - V} = 360,000 / (60 - 36) = 15,000 \text{ units}$$

Value of profitability line in mu = 15000 \* 60 = 900,000 mu (0.5 point)

2.2 - Profit = Revenues – Total cost

$$800,000 = P*Q - (\text{Total variable cost} + \text{Total fixed cost})$$

$$800,000 = 60Q - (36Q + 360,000)$$

$$800,000 = 60Q - 36Q - 360,000$$

$$24Q = 360,000 + 800,000 \rightarrow Q = 48333.3333 \text{ units}$$

Total revenues = 60\*48333.3333 = 2,900,000 mu (0.5 point)

3 -

3.1 - The policy of controlling the exchange rate leads to capital flight, which leads to a decrease in investments and a decrease in production and a decrease in economic growth. (0.5 point)

3.2 - Increasing the tax and social burdens on enterprises lead to higher production costs, which leads to lower competitiveness, which leads to lower demand for consumption and consequently reduced investment, which leads to a decrease in employment opportunities and thus increase the rate of migration. (0.5 point)

4 -

4.1 - Expansion Investment (0.25 point)

4.2 - Strategic decision (0.25 point)

Purchase of new industrial equipment → Increased productivity → Increased competitiveness → Increased demand for products → Increase in revenues (sales) (0.25 point)

4.3 - Democratic. (0.25 point)

5 -

5.1 - Social Result: higher unemployment. (0.25 point)

5.2 - Policy of preserving (maintaining) already existing job opportunities. (0.25 point)

5.3 - Positive result: unemployment is not worsening. (0.25 point)

Negative result: high public spending (0.25 point)

6 -

6.1 -

$$PED = \frac{\text{Percentage change of the quantity of demand}}{\text{Percentage change of the price}}$$

$$PED = \frac{\Delta D}{D_1} \times 100 \div \frac{\Delta P}{P_1} \times 100$$

$$-1 = \frac{200 - 400}{400} \div \frac{P - 30}{30}$$

→ Price = 45 mu (1 point)

6.2 Increase in prices → lower purchasing power → lower demand on consumption for this product (0.5 point)

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

1 -

1.1 - High interest rates and difficulties in obtaining long-term loans as well as short-term loans that are often ineffective. (0.25 point per problem)

- The increase in the cost of electricity.
- The relatively elevated custom duties on essential raw materials for industrial production and the high cost of exports through ports.
- The low technical capacity of labor in industrial establishments.

1.2 - Economic recession (0.25 point)

- Balance of trade deficit (0.25 point)

1.3 - The increase in the cost of electricity, the relatively elevated tariffs on raw materials needed for industrial production and the high cost of exports through ports lead to an increase in cost of production

The low technical qualification of labor in industrial establishments lead to lower productivity

(0.75 point for each link).

Increase in cost of production and decrease in productivity → reduction in competitiveness → decrease in the demand on consumption → decrease investment → decrease production → decrease economic growth (recession).

Increase in cost of production and decrease in productivity → reduction in competitiveness → decrease in the demand for products in local and international markets → decrease in exports with a relative increase in imports → balance of trade deficit.

2 -

2.1 - Principle: freedom of international trade (0.25 point)

2.2 - Positive (0.25 point): provision of competitive markets, obliging economic firms to renovate their machinery and equipment, avoiding harsh reaction towards domestic exports from foreign countries.

Negative (0.25 point): Foreign competition faced by local products, balance of trade deficit

2.3 - Classical liberal system (0.25 point)

3 -

3.1 - Dependency on heavy industrial output (0.25 point for each choice)

Prioritizing the firms that produce industrial import substitutes

3.2 - Dependency on heavy industrial output: Result: taking advantage of their ability of creating new job opportunities (0.25 point) and upgrading to the level of the developed industrial countries.

Prioritizing the firms that produce industrial import substitutes

Result: reduction in the balance of trade deficit (0.25 point), achieving self-sufficiency

3.3 - Dependency on heavy industrial output (0.25 point for each measure)

Measure: improving the necessary infrastructure for producing heavy industrial output

Prioritizing the firms that produce industrial import substitutes

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

4 - Increase the value of the Lebanese currency → increase in the prices of locally produced output → decrease in competitiveness of local products in foreign markets → decrease in the demand for local products → decrease in local exports (0.75 point)

5 -

5.1 - Decrease in the development of human resources (0.25 point)

5.2 - Decrease in the development of human resources → lack of a skilled and productive labor force → decrease in labor productivity → decrease in real GDP → decrease in growth. (0.5 point)

6 -

<b>The Problems</b>	<b>The measure (0.5 point for each measure)</b>	<b>The Direct Result (0.5 point for each result)</b>
High interest rates	Lowering interest rates on loans issued for investment in the industrial sector	Lower cost of production
The increase in the cost of electricity	Specifying special prices for sources of energy of the enterprises investing in the industrial sector	Lower cost of production
The relatively elevated custom duties on essential raw materials for industrial production and the high cost of exports	- Tax exemptions on exports - Lower tariffs on imported raw materials for industrial production	-Decrease in cost of exports -Decrease in cost of production
The low technical qualification of labor force in industrial establishments	Contributing in financing vocational trainings of workers in industrial enterprises	Higher productivity

Link: Production cost decrease and productivity increase → enhancing the competitiveness of national industrial production → increase of the demand for national industrial production at locally and abroad → Exports increase when imports decrease → decreases of Trade Balance Deficit

Decrease cost of production and increase in productivity → enhancing the competitiveness of national industrial production → increase of the demand for national industrial production → increase investments → increase production → increase economic growth  
(0.5 point for each correct link)

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

**Introduction (3 points)** → 2 points for the content and 1 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.

The content includes an explanation of the importance of the agricultural sector and the main points of all data. (1 point)

Problematic: For example: How may the State develop the agricultural sector?

**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: The importance of the agricultural sector - achieving self-sufficiency/food security

(0.5 point for mentioning the problems)

(0.25 point for each policy)

(0.25 point for each measure)

(0.25 point for each result)

The first problem: small and fragmented agricultural properties.

Policy: Influencing the size of the agricultural holdings

Measure: Merging small agricultural holdings - the State imposes a minimum size for agricultural holdings or prevents the screening of agricultural land

Result: Reducing the cost of agricultural production

The second problem: Lebanese agriculture is still based on traditional agricultural crops and on varieties of fruit trees and vegetables that do not suit the tastes of consumers at home and abroad

Policy: Development of research and agricultural guidance

Measure: The State establishes agricultural research centers to identify techniques to improve agricultural rate of returns and disseminate these results and techniques to farmers through agricultural guidance centers where farmers are trained to use them

Result: Increased productivity

The third problem: the price of imported agricultural inputs is very high

Policy: Encourage the establishment of agricultural cooperatives that are competent to provide agricultural production requirements

Measure: Cooperatives purchase agricultural inputs (spray, seeds and fertilizers in large quantities at wholesale prices and then return and sell to associate farmers at prices below the market price

Result: Reducing the cost of agricultural production

The fourth problem: absence of documented statistics and information on the local as well as on foreign markets and the movement of international trade

Policy: Export Promotion

Measure: Establishment of data banks and documentation centers



Result: Making internal and external markets transparent to farmers → sell Lebanese agricultural production locally and abroad

Fifth Problem: Farmers rely on agricultural companies according to high interest loans

Policy: Agricultural Finance Policy

Measure: Establishment of a bank dedicated to agricultural credit with low interest rates.

Result: Reducing the cost of agricultural production

Sixth problem: The foreign competition faced by the Lebanese goods local markets, the dumping of foreign products in local markets

Policy: Policy to protect farmers' income and local agricultural production from foreign competition

Measure Imposition of temporary customs duties on imports for short periods of time (on imported agricultural goods that practice dumping)

Result: Enhancing the competitiveness of national agricultural production

Seventh: Lebanon is the only country that sells agricultural production and exports on consignment basis

Policy: Export Promotion

Measure: Export financing through the State's contribution to the establishment of a specialized bank to finance agricultural exports.

Result: Enhancing national exports

Link: Collective measures increase productivity and reduce cost of production → increases competitiveness → increase demand for agricultural production → increase investment in agricultural sector → increase growth of agricultural sector (1 point)

Increasing the competitiveness of national agricultural production → increase demand for agricultural production locally and abroad → increase agricultural exports against declining agricultural imports → decrease in agricultural trade balance deficit

### **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