**ECONOMICS SS 1**

**THIRD TERM**

**SCHEME OF WORK**

**WEEK TOPICS**

1 Revision of Second Term Unified Examination

**DISTRIBUTIVE TRADE**

Meaning

Chain of Distribution.

Process of Distribution

Wholesalers (Functions to Producers and Retailers).

Retailers (Functions to Wholesaler and Customers).

2 **MIDDLEMEN**

Argument For or Against the Elimination of Middlemen

Problems of Product Distribution in Nigeria

Ways of Improving the System of Distribution of Consumer Goods in West Africa.

Roles of Government Agencies in Product Distribution

3 **MONEY**

Definition of money and its origin

Trade by Barter system and its deficiencies

Kinds / Types of Money

Characteristics of Money

Functions of Money

4 **FINANCIAL INSTITUTIONS**

Meaning of Financial Institutions

Types of Financial Institution

**Commercial Banks**

Meaning of Commercial Banks

Characteristics of Commercial Banks

Functions and Creation of Credit and its Limitations

**Central Bank**

Meaning of Central Bank

Characteristics of Central Bank

Functions and Weapons of Controlling Commercial Banks

5 **CONCEPT OF DEMAND AND SUPPLY**

**DEMAND**

Meaning of Demand

Law of Demand

Schedule and Curve

Types of Demand

Factors Affecting Demand

6 **SUPPLY**

Meaning of Supply

Law of Supply

Schedule and Curve

Types of Supply

Factors Affecting Supply

7 **EQUILIBRIUM PRICE/PRICE DETERMINATION**

Meaning

Use of Hypothetical Schedule and Graph to Determine Equilibrium Price

Calculation from Hypothetical Table from Equations of Demand and Supply (i.e. Qd = Qs)

**Price System**

Meaning of Price System

Functions and Other Means of Determining Prices

8 **THE NATURE OF THE NIGERIAN ECONOMY**

General Overview of the Nigerian Economy

Nature and Structure of Industries in Nigeria

Contributions of Primary, Secondary and Tertiary Sectors

Explain Economic Activities of the Six GeoPolitical Zones

9 **AGRICULTURE**

Meaning of Agriculture

Components/Structures

Systems of Agriculture

Contributions to the Economy

Problems and Solutions of Agriculture

Agricultural Policies in Nigeria (OFN, RBOA, NAFPP, Green Revolution)

10 **MINING**

Meaning

Components of the Nigerian Mining Industry

Minerals (Types, Uses and Locations)

11 Revision

12 - 13 Examination

**REFERENCE BOOK**

* Amplified and Simplified Economics for Senior Secondary School by Femi Longe
* Comprehensive Economics for Senior Secondary School by J.V. Anyaele
* Fundamentals of Economics for SSS By. R.A.I. Anyanwuocha

**WEEK ONE**

**DISTRIBUTIVE TRADE**

**CONTENT**

* Definition of Distributive Trade
* Process of Distribution
* Wholesalers (Functions to Producers and Retailers).
* Retailers (Functions to Wholesaler and Customers).

**DISTRIBUTIVE TRADE**:

**Distributive Trade**-whichis also known as the chain of distribution, refers to the variousstages or channels through which finished goods are moved from the manufacturers/producers to the final consumers **.**That is, it is the process of getting goods from the producer to the final consumers. There are various channels through which goods get to the final consumer commonly called channel of distribution. The common channel through which the consumer get the goods is represented as:

Manufacturer /Producer Wholesaler Retailer Final consumer

**PROCESS OF DISTRIBUTION**

**Process of Distribution**- involves all human and physical means which aid the smooth transfer of goods from the manufacturers to the final consumers. The process of distribution involves:

1. **Middlemen**- the middlemen or agents are human elements involved in the distribution of goods from the producers to the final consumers, eg wholesaler and retailer

2. **Transportation**- is the medium through which the finished goods are moved by air, land or water from the manufacturers to the final consumers

3. **Advertisement**- is the process of creating awareness in the mind of the public about the existence of a product.

4. **Warehousing**- is a process through which the goods produced are stored until they are needed.

**EVALUATION**

1. Define distributive trade
2. Explain process of distribution

**THE WHOLESALER**

A wholesaler may be defined as the trader who buy goods in large quantity from the producer and sells in small quantity to the retailer. The wholesaler is an essential and desirable element in the channel of distribution and production. He is sometimes called a middleman because he is in-between the producer and the retailer.

**FUNCTIONS OF WHOLESALER TO THE PRODUCER**

1. Bulk breaking: This is one of the most essential functions of the wholesaler as he is able to satisfy the needs of purchasing in large quantity from the producer.
2. The wholesaler finances the producer by making prompt or advance payment for goods.
3. He also finances the retailer by giving credit facility to them.
4. He helps to make the prices of goods stable especially where production is irregular.
5. He provides warehousing or storage facilities for goods bought.
6. He gives vital information about market situation to the producer.
7. He completes the manufacturing of some goods by doing the packaging and branding.
8. Wholesalers help to create markets for producers and themselves through large scale advertising use of sales representatives etc.

**FUNCTIONS OF WHOLESALER TO THE RETAILER**

1. He enables the retailer to stock variety of goods
2. He provides the retailer with credit facilities
3. He advices the retailer based on his expert knowledge of the product
4. He provides a link between the producer and the retailer
5. He helps to transport goods to the retailer’s shop

**EVALUATION**

1. Who is a wholesaler?
2. How is a wholesaler regarded as a “Bulk Breaker”

**THE RETAILER**

A retailer may be defined as the trader who buys goods in small quantity from the wholesaler or directly from the manufacturer and sell in units to the final consumer.

He is essentially in the channel of distribution because he is the last link to the consumer, so he is also a middleman.

Retail trade can be broadly classified into two types namely; 1. Small scale retail trade 2. Large scale retail trade

Small scale retail trade comprises of kiosk, market or stallholder retailing, street or road side retailing, cycle boys, mobile shops retailing, itinerant or hawking retailing etc.

Large scale retailing can be the form of department stores, multiple shops, supermarkets, mail–order business, hyper markets, and retail co-operative societies.

**FUNCTION OF THE RETAILER**

1. The retailer stocks variety of goods in order to satisfy the taste of the consumer.

2. He brings goods to the consumer thus saving the consumer the inconvenience of going far.

3. He assist the producer and wholesaler in promoting lesser known goods

4. He advises the consumer and wholesaler on how to use certain products and about new development in the market

5. He provides after-sales services especially for technical products like computer, television, typewriters etc.

6. He finances the consumer by selling at time on credit.

7. He completes the distribution chain by making goods available to the consumer ; thus completing production

8. He provides market information to buyers and sellers

9. He advertises the goods through fascinating window displays

**EVALUATION**

1. What roles do the retailers play in the distribution process
2. What is the difference between multiple shops and departmental stores.

**GENERAL REVISION**

1. Outline the merit of joint stock company.
2. What are the problems partners are likely to face in partnership business.
3. Mention four reasons for government participation in business.
4. Write short note on i shares ii debenture
5. Who is a shareholder?

**WEEKEND ASSIGNMENT**

1. The wholesaler provides all the following services to the producers except (a) financing

(b) marketing the product.(c) granting credit (d) after sales service

1. Which of the following is not an agent of distribution ( a) retailer (b) government agencies (c) co-operative society (d) consumer
2. Retailers are usually greater in number than wholesaler because ( a) all retailer business are small enterprises (b) all wholesaler business are large enterprises (c) retailers deal with final consumers (d) Retailer business require less capital and expertise
3. Distribution is part of production because it( a) involves the use of vehicles and labour (b) involves wholesalers and retailers (c) make goods and services available to final consumers (d) require the employment of skilled labour.
4. Which of the following is the normal channel by which goods reach consumers?
5. Producers Wholesaler Agents Retailer consumers
6. Producers Wholesaler Retailers Agents Consumers
7. Producer Wholesalers sales representative Retailers consumers
8. Producers Wholesalers Retailer Consumers

**THEORY**

1. “The wholesaler performs useful economic functions” explain .
2. Highlight five differences between a wholesaler and a retailer

**WEEK TWO**

**THE MIDDLEMEN**

**CONTENT**

* Middleman
* Elimination of the Middle man
* By- Passing the Middleman
* Efficient Ways of Distribution and Marketing of Goods in West Africa
* Problems of Distribution and Marketing of Goods in West Africa
* Roles of Government Agencies in Product Distribution

**THE MIDDLEMEN**

The middlemen are the wholesalers and the retailers who are in-between the producers and the consumers. They specialize in performing activities relating to purchase and sales of goods in the process of their flow from the manufacturers to the final consumers. The presence of the middlemen in the distributive trade cannot be overlooked as they play a vital role in linking the producers with the ultimate consumers for effective trading activities.

**ARGUMENT FOR OR SURVIVAL OF MIDDLEMEN**

Sometimes, middlemen form organizations that are influential enough to control prices.The middlemen have continued to wax stronger in spite of all the strong arguments for their elimination. The functions being performed by the middlemen to both the producers and ultimate consumers cannot be performed by either the manufacturers or the consumers. In spite of all these criticisms, it becomes clear that middlemen will continue to flourish because of the vital role they play in the distribution of goods between the producers and the final consumers.

**ARGUMENT AGAINST OR ELIMINATION OF MIDDLEMEN**

The wholesaler is sometimes regarded as an unnecessary feature of the economics organization for the following reasons

1. High prices of goods – he causes unnecessary price increase by adding to the cost of goods without directly adding value to it.
2. Creating an artificial scarcity of products by hoarding part of their goods in order to earn higher prices for themselves
3. Tax evasion: despite the fact that wholesaler earn a lot of profit, many of them evade tax.
4. Payment of low producer prices to farmers for their agricultural produce.
5. Disguised Unemployment: the presence of wholesaler encourages large scale disguised unemployment. They are usually under-employed
6. Existence of middlemen makes the chain of distribution of goods longer
7. The middlemen, sometimes, misinform the consumers
8. The middlemen can cause price fluctuation of goods in the market

**EVALUATION**

1. Who are the middlemen?
2. Write a short note on the elimination of middlemen

**REASONS THAT MAY WARRANT BY-PASSING THE MIDDLEMEN**

Some manufacturers by-pass the wholesaler and sell to retailer for the following reasons

1. Where perishable goods are involved
2. The establishment of warehouses by producer
3. Indiscriminate increase in prices of goods and services
4. When good are branded
5. When consumers combined to buy in bulk
6. When manufacturer open their retail stores
7. Their creation of artificial scarcity
8. Where the goods produced are highly technical or made to individual specifications

**PROBLEMS OF DISTRIBUTING AND MARKETING OF GOODS IN WEST AFRICA**

1. Poor and inadequate transportation facilities
2. Inadequate storage facilities
3. Too many middlemen
4. Administrative bottleneck in the collection and handling of goods
5. Inadequate credit facilities
6. Imperfect nature of the market due to inadequate information
7. The tendency to hoard goods in anticipation for higher prices
8. Inadequate infrastructural facilities
9. Inadequate dissemination of information

**EFFICIENT WAYS OF DISTRIBUTING AND MARKETING OF GOODS IN WEST AFRICA**

1. Good and efficient transportation network
2. Provision of good storage facility
3. Formation of consumer and wholesale co-operative societies
4. Goods rationing in case of essential commodities.
5. Provision of credit facilities to wholesale and retailers
6. Providing adequate information of the market situation
7. There should be legal action against hoarders
8. Establishment of more market places
9. Construction of good road network
10. Improvement in communication system

**ROLES OF GOVERNMENT IN DISTRIBUTIVE TRADE**

The government at whatever level has a major role to play in the distribution of goods through the establishment of distributive agencies such as:

1. Establishment of the Nigeria National Supply Company (NNSC) Ltd
2. Marketing Board
3. The River Basin Authorities to encourage large production and distribution of agricultural produce
4. Provision of good transport system
5. Provision of better storage facilities
6. Government agencies help to stabilize prices in order to check inflation
7. Government agencies help to prevent artificial scarcity of goods
8. Government agencies also play the role of price control
9. Establishment of communication system

**EVALUATION**

1. Why are the wholesalers and the retailers regarded as middlemen?

2. Explain the cogent reasons why middlemen should be eliminated in the distribution channels.

**GENERAL REVISION**

1. What is a cooperative society?
2. Mention five types of cooperative.
3. Has the concept of opportunity cost any relevance to the economy of West Africa Countries.
4. Middlemen do encounter the problems in the process of carrying out their business. Discuss
5. Discuss the different types of agriculture system that is in West Africa

**WEEKEND ASSIGNMENT**

1. Which of the following functions do retailers perform in an economy? (a) production (b) exchange (c) hoarding (d) distribution
2. One of the arguments against the presence of middlemen in the distribution chain is that they (a) can be found always every here (b) Helps in keeping prices stable (c) cause increase in the prices of commodities (d) are commissioned agents
3. One of the greatest demerits of the middlemen in Nigeria is that they (a) sell in small units only

(b) increase the prices of goods and services at will (c) store goods in warehouses that are spacious enough (d) do not advertise their goods

1. Distribution involves the (a) transfer of goods and service from wholesaler to consumer (b) transfer of goods and services from production centre to consumers (c) movement of goods and services by middlemen to centres (d) transfer of goods and service from one market to another
2. A major function of middle men in Nigeria is the distribution (a) commodities at all consumers regardless of income (b) commodities to consuming centres (c) wealth to all

(d) economic facilities to all

**THEORY**

1. What functions do retailers perform for manufacturer?
2. Discuss five problems encountered in the process of distribution of goods in Nigeria.

**WEEK THREE**

**TOPIC: MONEY**

**CONTENT**

1. Trade by Barter
2. Definition of Money and its Origin
3. Qualities / Characteristics of Money
4. Functions of Money
5. Kinds/ Types of Money

**TRADE BY BARTER**

Before the invention of money, goods were exchange for goods. This system of exchanging good and services for other goods and services is termed trade by barter. The rigidity of the system led to the introduction of money

Therefore the barter system may be define as the direct system and practice of exchanging goods for goods and service for services

**PROBLEMS / DISADVANTAGES OF BARTER**

1. Problem of double coincidence of wants
2. Problem of assessing the value of commodities
3. Problems of divisibility
4. It waste time and efforts
5. It discourages large scale production which is dependent on large market
6. Problem of storage or saving
7. Problem of no fixed rate of exchange
8. Problem of bulkiness of some goods
9. No room for deferred payment

**EVALUATION**

1. Define barter system
2. List five problems of barter system

**DEFINITION OF MONEY**

Money maybe defined as anything that is generally acceptable as a medium of exchange for making payments, settlement of debts or other business obligations within a defined territory. Legal definition of money says, ‘It is what the law says it is’.

**ORIGIN/HISTORICAL DEVELOPMENT OF MONEY**

Money originated as a result of the problems of trade by barter. In the olden days, different commodities have served as money in different countries of the world, such commodities as cattle, cowries, shell, tobacco, salt and beads.

Later, precious metal like silver and gold were used. The use of paper money originated from the use of ‘Receipts’ issued by Goldsmiths in London in exchange for deposits of precious metal. The receipts became **bank notes** and the Goldsmiths became the **bankers**.

In recent time, people started accepting inconvertible paper money as a medium of exchange. For anything to serve as money, it must enjoy people’s confidence

**CHARACTERISTIC / QUALITIES OF MONEY**

1. Acceptability :- must be acceptable to people of a community or country
2. Homogeneity :- must be same in all parts of the countries where acceptable
3. Recognizable :-people should be capable of identifying original from counterfeit
4. Divisibility : ability to be divided into smaller units to facilitate small and big transactions (#1000,#500,#200,#100,#50,#20,#10,#5,#1,50k etc.)
5. Portability : it must be easy to carry around to long and short distances
6. Scarcity : it must be relatively scarce but not too scarce e.g. Gold and silver
7. Durability : it must stand the test of time against wear and tear or suffer under mutilation
8. Stability : it must be stable to encourage lending and borrowing and make business to be predictable
9. Storability :-it must have the ability to be stored for a longtime without losing its value
10. Controllable supply : Supply must be controllable by the central bank to maintain its value

**EVALUATION**

1. Briefly explain the origin of money
2. State five characteristics of money

**FUNCTIONS OF MONEY**

1. **As a medium of exchange**: money facilitates the exchange of goods and services. Without money, we will probably have the trade by barter with it problems.

2. **As a unit of account**: money serves as a common unit of account for easy and accurate calculation of worth of goods

3. **As a measure of value**: money serves as a parameter used to measure the relative value of goods and services.

4. **As a store of value**: money makes it possible to save now for later use. As a farmer cannot store his perishable goods so also a teacher or doctor his service but by selling their services for money, the value received can be stored for future use.

5. **As a standard for deferred payment**: money makes it possible for payment to be deferred from

now till a later date. It also facilitates future contracts to be carried out effectively.

**KINDS / TYPES OF MONEY**

1. **Commodity Money**: these are commodities that are generally acceptable as a medium of exchange. They have two values --- the money value and an intrinsic value (commodity value) these commodities include cowries, gold, diamond, silver, manilas etc while some still exist some have gone out of use.
2. **Metal Coin**: this is metal money with definite amount and weight issued and stamped by the central authority responsible for the issuance of money in a country. E.g. Nigeria has Kobo, Ghana has Pesewa etc.
3. **Bank Deposit**: this is the money one keeps in his bank account for safe keeping which can be given back to the owner on demand by cheques as a means of payment.
4. **Representative Money**:- are partial money which may not be legal tender, eg cheque, bank draft, petrol voucher, ticket, etc.
5. **Paper Money:** is the bank note which is the slip of paper or currency issued by the central bank, eg N50, N100, N200
6. **Legal Tender**: is any means in payment by which a trader is compelled by the law of a state to accept in settlement of debt.
7. **Token Money**: is a form of money with a face value which is greater than the value of the metal content
8. **Fiat Money**: is any money the government has declared to be legal tender, but is not backed by reserve
9. **Fiduciary Note:** is an issued bank note not backed by gold but by government securities.
10. **Plastic Money:** are usually in the form of plastic hence it is sometimes called plastic money. They serve as temporary medium of exchange but do not convey final settlement as it is done when money is used, eg credit card, value card, debit card, cash card ( ATM card), E-purse (Smart card), Pos (point of service or sales), etc.

**EVALUATION**

1. List five functions of money
2. Explain types of money

**GENRAL EVALUATION**

1. What is labour force?
2. Explain four factor affecting the size of a country’s labour force
3. Explain the factors that determine the level of wages in your country.
4. Define term unemployment.
5. Highlight the effect of unemployment on an economy

**WEEKEND ASSIGNMENT**

1. Which of the following is a factor that affects supply of money? (a) citizens (b) bank rate (c) level of education (d) level of literacy.
2. Which of these is a kind of money? (a) barter money (b) acceptable money (c) representative money (d) bulky money.
3. One of these is not a problem of barter system (a) waste of time (b) bulkiness (c) Problem of storage (d) durability
4. Homogeneity is a characteristic of (a) barter system (b) free economic system (c) money (d) bank draft
5. Precious stone and cowry are kind of (a) commodity money (b) token money (a) representative money (d) draft.

**THEORY**

1. Briefly account for the setbacks of trade by barter system
2. Explain functions of money

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**WEEK FOUR**

**FINANCIAL INSTITUTIONS**

**CONTENT**

**1**. Meaning of Financial Institutions

2. Types of Financial Institutions

3. Commercial Banks

4. Characteristics of Commercial Banks

5. Functions of Commercial Banks

6. Creation of Credit or Money by the Commercial Banks

7. Limitations on Ability of Commercial Banks to Create Credit / Money

**FINANCIAL INSTITUTIONS**:

Financial Institutions- are all business organizations which hold money for individuals and institutions, and may borrow from them in order to give loans or make other investments. Financial institutions which represent the main channel or medium by which funds can flow from lenders to borrowers are very important for the economic development of a nation.

**TYPES OF FINANCIAL INSTITUTIONS**

Two major financial institutions are:

Banking Financial Institutions, (Central bank, Commercial banks, Merchant banks, Development banks, etc)

Non – Banking Financial Institutions, (Insurance companies, Hire purchase companies, Building societies, etc). The major difference between the two is that the **liabilities** of the Banking Institutions are counted as part of the total supply of money in circulation, while those of the Non-Banking Institutions are excluded from the money supply.

**COMMERCIAL BANK**

A commercial bank is a financial institution which accepts deposits and other valuable from the public for safe-keeping, lend money to people and perform other ancillary services with the sole aim of making profit. A commercial bank is owned by private individual organizations or governments. It is a limited liability company.

**Characteristics of Commercial Banks**

1. They are limited liability companies
2. They are established and owned by individual organizations or government
3. The motive for its establishment is profit making
4. Commercial banks are incorporated under CAMD (1990)
5. They transact business with private individuals organizations and governments
6. They are members of the money market

**Functions of Commercial Banks**

(a) Accepting deposits from customers

(b) Lending to customers – i.e. they grant loans and overdrafts to their customers

(c) Acting as an agent for payment

(d) Discounting bills of exchange

(e) Safekeeping of valuable e.g. wills, jewelleries, certificates etc.

(f) Offering expert advice to customers

(g) Acting as executors or trustees

(h) Acting as business referees / granting of performance bond

(i) Funds transfer e.g. credit transfer services

(j) Issuing of letter of credit

(k) Buying and selling of foreign currencies

(l) Issuance of travelers cheque

**EVALUATION**

1. Define financial institutions
2. Highlight four functions of commercial bank.

**CREATION OF CREDIT OR MONEY BY THE COMMERCIAL BANKS**

**Credit or Money Creation** – refers to the process whereby commercial banks make it possible for more deposits to be made through loans or overdrafts. Bank lending in form of loan or overdraft increases the quantity of money in circulation, which in turn increases the purchasing power of the people. This is because the bank credits the amount borrowed thereby creating new bank deposits.

The total purchasing power increases by the amount loaned out to members of the public and charging interest on them. By so doing, more money is pumped into circulation and this increases the purchasing power of the people.

This is why it is said that bank lending creates credit or money in the following ways:

1. By granting loans to members of the public and charging interests on them.
2. By granting overdrafts to customers having current accounts with the bank, and charging interests on them.
3. By charging the percentage of Cash Ratio, or Liquidity Ratio, or Cash Reserve, which the commercial banks are required by law to keep (% of their deposits) with the Central Bank in order to protect customers’ accounts and prevent bank crisis.
4. By purchasing treasury bills from the government and by discounting bill of exchange. These bank transactions have a direct effect on the commercial banks ‘Excess Reserve’, and other banks’ reserves in determining the ability of the banks to create credit or money.

**LIMITATIONS OF ABILITY OF COMMERCIAL BANKS TO CREATE**

**CREDIT / MONEY**

1. The volume of its deposits

2. Central bank regulations – monetary policy dictates

3. The cash ratio / liquidity ratio

4. Availability of collateral security

5. Restrictions imposed by the clearing house

6. Opportunities for investments

**EVALUATION QUESTIONS**

1. Highlight four ways by which commercial banks create money

2. List four limitations of ability to create money by the commercial banks

**THE CENTRAL BANK**

**CONTENT**

**1**. Definition of Central Bank

2. Characteristics of the Central Bank

3. Functions of the Central Bank

4. Monetary Policy

5. Instruments of Monetary Policy

**DEFINITION OF CENTRAL BANK**

The central bank is the apex financial institution in a country which is responsible for the management, supervision and control of monetary affairs and financial institutions of the country. Before independence of most of the British colonized countries of West African (Nigeria, Ghana, Sierra Leone, and Gambia), the West African Currency Board (WACB) with its headquarters in London was responsible for all monetary matters. As soon as each country gained or approached political independence, it established her own central bank. A central bank was established in Ghana in 1957, in Nigeria in 1959, in Sierra Leone in 1964 and in Gambia in 1971.

**CHARACTERISTICS OF THE CENTRAL BANK**

1. It is owned by the government
2. I is established through Act of Parliament
3. It is the apex financial institution in a country
4. There is only one Central Bank in the country
5. It is not a profit oriented institution
6. It does not transact business with individuals
7. It is the only bank authorized by law to issue currencies

**FUNCTION OF THE CENTRAL BANK**

1. It serves as a Banker to the Government: The Central Bank keeps all the revenue accounts of the

government and makes payment out of it on behalf of the government. More importantly it leads to the government and also manages the National Debt i.e. the government’s external and internal borrowings.

1. Issuing of Currency: The Central Bank is the only authority empowered by law to issue all paper money (banknotes) and coins in the country
2. It is a Bankers’ Bank: The Central Bank serves as a bank to commercial banks, meaning that by law, the commercial banks are required to keep account (deposits) with the central bank
3. The Central Bank serves as the clearing house for the settlement of interbank debts
4. Lender of last resort: The Central Bank lends money to commercial banks in serious needs to enable them satisfy or settle their customers demand for cash
5. Adviser to the Government: The Central Bank advises the government on monetary matters such as on methods of raising loans particularly foreign loans.
6. Management of the National Debt: The arrangements for new borrowings as well as the servicing and rescheduling of existing debts are handled by the Central Bank
7. Foreign Monetary Transactions: The Central Bank holds and manages the foreign exchange reserve and advises government on the trends.
8. Carrying out or implementation of the government’s Monetary Policies
9. The Central Bank maintains close contact with other international financial institutions e.g. IMF, IBRD (World Bank), ADB etc

**EVALUATION**

1. State four features of Central bank.
2. Explain three functions performed by the central bank.

**MONETARY POLICY**

Monetary Policy is mainly concerned with varying the money supply in the economy.

The central bank uses some measures like the bank rate, open market operators, special deposits, directives, cash ratio, etc, all to regulate the volume of money in the economy; thereby checking inflation or deflation when necessary.

**INSTRUMENTS OF MONETARY POLICY / OR HOW THE CENTRAL BANK CONTROLS THE COMMERCIAL BANKS**

The government carries out its monetary policy through the central bank. The central bank itself enforces the monetary policy through the various way by which it controls the ability of the commercial bank to create credit

The central bank controls the commercial bank to implement government monetary policy through the following instruments

1. **Bank Rate / Discount Rate:** This is the rate of interest the central bank charges commercial banks and other financial institutions for discounting their bills or the rate at which it lends money to them. The bank rate influences the other interest rates in the economy. A higher bank rate leads to higher interest rate. If there is inflation, the central bank will increase the bank rate. This will curtail the lending power of the commercial banks by making the cost of borrowings by bank customers to be very exorbitant

If there is deflation in the economy, the Central Bank will reduce the bank rate thereby allowing the commercial banks to create more credit, thereby increasing the supply of money in the economy.

2. **Liquidity Ratio / Cash Reserve Ratio:** This is a requirement by law to the commercial banks to keep certain percentage of their total cash / liquid assets or deposits with the central bank. In Nigeria for example the Liquidity Ratio is 20%. The central bank uses this ratio in increasing or decreasing the amount of money in circulation. Therefore the higher the cash reserve ratio, the lower the power of commercial banks to grant credit / loans to their customers. This policy of increasing the cash reserve ratio is therefore used to control inflation. The reverse is also true

3. **Special Deposit:** This is an instruction to the commercial banks to keep with the central bank special deposits over and above their statutory requirements thereby, curtailing the ability of the commercial banks to create credit. This instrument is used when the use of cash reserve ratio alone is not adequate to keep down the rate of inflation

4. **Open Market Operations (OMO):** This is method of buying and selling of securities (Treasury Bills) to the public and the commercial banks by the central bank to alter the volume of money in circulation and also to vary the ability of the commercial banks to create credit.

If the Central Bank feels that the money circulation is too small and wants to increase it, it will buy securities in the open market paying with its own cheques. On the other hand, if the volume of money in circulation is too much and the Central Bank wants to reduce it, it will simply sell securities in the open market to the general public and the commercial banks thereby withdrawing a lot of money from the economy.

5. **Special Directives:** These are special instructions which the central bank gives to commercial banks and other financial institutions regarding the size of loan to give and the areas (sectors of the economy) to which it should direct bank lending e.g agriculture, manufacturing etc

6. **Moral Suasion:** This is persuasion based on moral grounds not with the use of force of law by the central bank to the commercial bank as to the kind of lending policy they should adopt regarding the expansion or contraction of money supply. Failures to comply can thereafter necessitate force of law. Directives and moral suasions are widely used in developing countries

7. **Funding:** This is the conversion of short term government securities to long term securities. For example Treasury Bills (of 91 days maturity) could be converted to bonds (long term securities). If the central bank feels that the conditions of the economy has not yet improved for the short term loans to be repaid e.g if there is inflation, the short term securities may be converted to long term securities.

**EVALUATION**

1. Differentiate between fiscal policy and monetary policy

2. Give two reasons why monetary policy may not be effective in regulating the Nigerian economy.

**GENRAL EVALUATION**

1. Define population census.
2. Why do people prefer to hold money?
3. Explain five reasons why a joint stock is better than a one man business.
4. Describe five problems of distribution in Nigeria.
5. Mention the implication of over population

**WEEKEND ASSIGNMENT**

* 1. The lender of last resort in the banking system is the (a) development bank (b) mortgage bank

(c) commercial bank (d) central bank

* 1. To a commercial bank, deposits are \_\_\_\_ (a) assets (b) capital (c) liabilities (d) cash at hand
  2. The main channel or medium that hold money and by which funds can flow from lenders to borrowers is \_\_\_\_ (a) industrial institutions (b) commercial institutions (c) financial institutions

(d) investment institutions

* 1. One major function of the central bank is to (a) mint money (b) act as a medium of exchange

(c) create money (d) control and regulate money supply

* 1. Which of the following is a function of commercial banks (a) issuance of bank motes (b) lender of last resort (c) determination of rate of interest (d) accepting deposits?
  2. The differentiating factors between banking financial institutions and non-banking financial institutions are their \_\_\_\_ (a) assets (b) capitals (c) liabilities (d) cash at hand

**THEORY**

1. Briefly discuss four ways by which commercial banks create money or credit

2. Explain at least five instruments with which the central bank controls the commercial bank

**WEEK FIVE**

**CONCEPT OF DEMAND**

**CONTENT**

* Definition of Demand
* Law of Demand
* Demand Schedule and Demand Curve
* Factors Affecting the Demand for a Commodity
* Exceptional or Abnormal Demand

**DEFINITION OF DEMAND**

Demand can be defined as the quantity of a commodity (goods and services) that consumers are willing and able to buy at a given price and at a particular place and time.Demand is quite different from wants, need or desire. ‘Effective Demand’ in economics must meet three conditions which are:

1. Ability to pay
2. Willingness to pay
3. Authority to buy a commodity

Demand must be related to price because to a great extent, price determines the quantity which consumers are willing to buy.

**LAW OF DEMAND**

The law of demand states that, all things being equal (Ceteris Paribus), ‘The higher the price, the lower the quantity of goods that will be demanded, or the lower the price, the higher the quantity of goods that will be demanded’. This law is often regarded as the first law of demand and supply. It simply means that when the price of a commodity, like yam for instance, is high in the market, very few quantity of it will be demanded by the consumers and vice-versa.

**DEMAND SCHEDULE**

It is a table of value showing the relationship between prices and quantity of that commodity demanded.

This is a table, which shows the magnitude of demand at various prices. That is, the different quantities of a commodity, which would be bought at various prices, at a particular time.

Example: The table below shows Mr. Tunde’s demand schedule for milk.

Price (₦) Quantity Demanded (Tin)

35 9

30 12

25 15

20 18

15 21

10 24

5 27

From the table we can observe that as price changes the quantity of milk demanded also changes.

The total of the individual demand schedule gives the market or aggregate demand schedule.

**DEMAND CURVE**

The demand curve is the graphical representation of the information contained in the demand schedule. The price is plotted on the vertical axis and the quantity demanded is plotted on the horizontal axis. Normal demand curve slopes downwards from left to right. From Mr. Tunde’s demand schedule, a demand curve is drawn as follows.

Price (₦) D

35

30

25

20

15

10

5

D

O 9 12 15 18 21 24 27

Quantity Demanded

Both the demand schedule and the demand curve illustrate the law of demand which states that “the higher the price of a commodity, the lower the quantity demanded and vice versa.

**EVALUATION**

1. What is demand?

2. Differentiate between a demand schedule and a demand curve.

**TYPES OF DEMAND**

**COMPLEMENTARY (JOINT) DEMAND:** This is the demand that occurs when two or more goods are needed or required together at the same time by a consumer, eg tea and sugar, car and petrol. Increase in the demand for car will lead to increase in demand for petrol, vice-versa.

**COMPETITIVE (SUBSTITUTE) DEMAND**: This is the demand that occurs when two goods are close substitute and serve the same purpose. In this case, when there is an increase in the price of one commodity that has close substitute to another, its demand will fall as consumers will shift to the other close substitute goods with lower price and the demand for the close substitute goods will increase, eg fish and meat, tea and coffee, butter and margarine, pen and biro.

**COMPOSITE DEMAND**: This is the demand that occurs when the total demand for a single commodity will serve many useful purposes. For example, cocoa beans is demanded for making cocoa beverages, cocoa bread, cocoa wine and chocolate. Cassava is demanded for making foofoo, garri, starch and cassava powder (Elubo)

**DERIVED DEMAND**: This is the demand that occurs when the demand for a commodity is not for its immediate consumption but for the demand for another commodity. For example, there is a demand (derived) for flour to satisfy the demand for bread and cake.

**FACTORS AFFECTING THE DEMAND FOR A COMMODITY**

1. **Price of the commodity**:-The higher the price of the commodity the lower the quantity demanded and vice-versa.
2. **Price of other commodities**: This applies to commodities, which are complementary or are close substitutes. If the price of a commodity is high, consumers may demand for the close substitutes.
3. **Income of the consumer**: As the income of the consumer increases, his demand for goods and services will also increase
4. **Change in taste and fashion**: The demand of people changes according to the reigning fashion of the day and their personal differing tastes.
5. **Distribution of income**: The pattern of demand of a population where income is evenly distributed will be different from that of a population where income is concentrated in the hands of a few
6. **Size of the population**: - The level/size of the population determines the level of demand. The structure of the population i.e. age distribution, sex distribution etc also determines the level of demand for particular commodities
7. **Weather:** The weather condition prevailing at a particular time influences the demand for particular commodities e.g. umbrella has a high demand during the rainy season.
8. **Expectation of future changes in price**: - If consumers expect that there will be high or low price of goods in future, demand will increase or decrease.
9. **Advertising**:- A well packaged and convincing advertisement specifically targeting a product will lead to increase in demand
10. **Availability of credit facilities**:- When there are avenues for consumers to buy goods and defer the payment for the goods to a later time, demand will increase
11. The introduction of new commodities to replace old ones. This will increase the demand for the new commodities and reduce the demand for the old commodities
12. **Taxation on commodities**:- Increase in taxes levied on goods will reduce their demand because the goods will cost more. A decrease in tax levied on goods will have the opposite effect.

**EXCEPTION TO THE LAW OF DEMAND**

**Exceptional or Abnormal Demand**- is a demand pattern which does not abide by the law of demand, and therefore gives rise to the reverse of the basic law of demand which states that the higher the price, the lower the quantity demanded of a commodity, and vice-versa. In a case of abnormal demand, a higher price may mean a higher demand or no change in demand, while a lower price may mean a lower demand or no change in demand. Conditions for these exceptional cases are:

1. Goods of Ostentation (Prestigious Goods)
2. Necessary but Cheap Commodity
3. Inferior (Giffen) Goods
4. Expectation of Future Change in Price

**EVALUATION**

* 1. What is abnormal demand?
  2. Highlight five factors affecting demand

**GENERAL EVALUATION QUESTIONS**

1. With the aid of a diagram define Change in quantity demand.
2. A demand curve slopes downward from left to right, but this may not be always so. Explain this statement.
3. Explain the term Opportunity cost.
4. What is the relevance of Opportunity Cost to an individual?
5. Describe any five problems of distribution in Nigeria.

**WEEKEND ASSIGNMENT**

* 1. When demand for a commodity is not back up with willingness and ability to pay, the situation is regarded as \_\_\_\_ (a) a mere desire (b) an effective demand (c) abnormal demand (d) derived demand
  2. The sum total of individual demands for a particular commodity makes up \_\_\_\_ (a) personal demand (b) aggregate demand (c) special demand (d) composite demand

1. The demand pattern which does not abide by the basic law of demand is \_\_\_\_ (a) effective demand (b) exceptional demand (c) competitive demand (d) normal demand
2. Two goods x and y are said to be complementary when (a) a fall in the price of x raises the demand for y (b) a fall in the price of x causes a fall in the demand of y (c) a fall in the price of x does not affect the price of y (d)a rise in the price of x causes a rise in the demand for y.
3. Effective demand means the (a) quantity of goods demanded (b) quantity of goods supplied

(c) demand that satisfies the consumer (d) demand back by the ability to pay.

**THEORY**

1. Briefly explain demand in relation to a mere want
2. Discuss both demand schedule and demand curve

**WEEK SIX**

**CONCEPT OF SUPPLY**

**CONTENT**

* Definition of Supply
* Law of Supply
* Supply Schedule and Curve
* Types of Supply
* Factors Affecting Supply
* Exceptional or Abnormal Supply

**DEFINITON OF SUPPLY**

Supply may be defined as the quantity of goods and services which sellers are willing and able to offer for sale at a particular price, and at a particular period of time. Supply does not mean the entire stock of a commodity in existence or the total quantity of that commodity produced but rather it means only the amount that is put into the market or offered for sale at a given price and at a particular period of time. This is referred to as ‘Effective Supply’

**LAW OF SUPPLY**

The law of supply states that, all things being equal, ‘The higher the price, the higher the quantity of a commodity that will be supplied or the lower the price, the lower the quantity of the commodity that will be supplied’. This law is often regarded as the second law of demand and supply. This law explains that when the price of commodity is high in the market, more quantity of that commodity will be supplied by the producer, and vice-versa.

**EVALUATION**

1. Define supply.
2. State the law of supply.

**SUPPLY SCHEDULE**

Supply schedule is a table of value showing the relationship between the price and the quantity of that commodity supplied. It is the table showing the relationship between the quantity supplied and price of a commodity. Supply schedule is divided into two which are:

1. Individual Supply Schedul

2. Market Supply Schedule

The table below shows the individual supply schedule for bags of wheat.

|  |  |
| --- | --- |
| **Price per bag**  **(₦)** | **Quantity supplied**  **(No. of bag of wheat)** |
| 100 | 50 |
| 80 | 40 |
| 60 | 30 |
| 40 | 20 |
| 20 | 10 |

The table below shows the market supply schedule for bags of wheat

Price Individual Suppliers Total

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| per bag | Quantity Supplied by | Quantity supplied by | Quantity supplied by | Quantity/Market |
| (₦) | Mr. Segun | Mrs. Jolaoso | Mr. Ade | Supplied |
| 100 | 50 | 80 | 70 | 200 |
| 80 | 40 | 70 | 50 | 160 |
| 60 | 30 | 60 | 30 | 120 |
| 40 | 20 | 50 | 20 | 90 |
| 20 | 10 | 40 | 10 | 60 |

**SUPPLY CURVE**

Supply curve is the graphical representation of the supply schedule. It shows the relationship between the price and quantity of that commodity supplied by the producer. Supply curve is derived from a supply schedule.

Price (₦) s

100

80

60

40

20

s

O 10 20 30 40 50 Quantity Supplied

Unlike the demand curve, the supply curve slopes upward from left to right. Both the supply curve and the supply schedule illustrate the law of supply, which states “the higher the price of a commodity, the higher the quantity supplied and vice versa.

**TYPES OF SUPPLY**

**COMPLEMENTARY (JOINT) SUPPLY:** This supply occurs when two or more commodities are produced and supplied from one source. An increase in the production and supply of one will automatically bring about increase in the production and supply of the other commodities that are produced from the same source, eg an increase in production and supply of petrol from petroleum (crude oil) can lead also to an increase in supply of kerosene and other products from crude oil.

**COMPETITVE (SUBSTITUTE) SUPPLY:** This supply occurs when many commodities are supplied for the satisfaction of a particular want. In other words, it is the supply of two or more commodities that serves as substitute or alternative to one another, eg meat and fish, omo blue detergent and elephant blue detergent, margarine and butter.

**COMPOSITE SUPPLY:** This supply occurs when a certain commodity can serve two or more purposes. In other words, the supply of the commodity for one purpose will greatly affect the supply of the same commodity for another purpose, eg flour for production of doughnut will greatly affect the production of cake, cassava for the production of starch will greatly affect the production of garri.

**EVALUATION**

1. What is a supply schedule?
2. Briefly explain types of supply

**FACTORS INFLUENCING THE SUPPLY OF A COMMODITY**

1. **Price of the commodity**: This is the most important factor influencing supply. The higher the price of the commodity, the higher the quantity supplied and vice versa.
2. **Cost of production**: If the cost of producing a commodity falls, then more of that commodity could be supplied at the existing price. It therefore means that a producer will be able to produce more commodities with the existing raw materials, hence increase in supply.
3. **Technological development**: An improvement in the level of technology will equate to improvement in the methods or techniques of production. This will encourage large scale production at lower costs which in turn increases supply e.g. the use of modern farming techniques and equipment.
4. **Season:-** The prevailing seasons will influence the supply of a particular commodity. E.g. More umbrellas will be supplied during the rainy season and this also applies to agricultural products.
5. **Government Policies**: Government policies such as subsidies, restriction on importation affect the supply of goods both in the long and short run.
6. **Expectation of future change in prices**: The expectation of suppliers about the future of the prices of some goods may affect supply. E.g. If the supplier suspects reduction in prices in future, he or she will reduce the quantity supplied of the commodity, so as to enjoy higher prices.
7. **Taxation**: Increased taxation on goods will raise the producer’s cost of production and by extension affect the supply of the product.
8. **The prices of other commodities**: When the prices of some commodities are high, some producers may switch over to the production of such commodities and stop producing the commodities with lower prices.

**EXCEPTION TO THE LAW OF SUPPL**

**Exceptional or Abnormal Supply:** is the supply pattern which does not abide by the law of supply, and

therefore, gives rise to the reverse of the basic law of supply which states that the higher the price, the higher the quantity of commodity that will be supplied by the producer, and vice-versa. An abnormal supply also called a Regressive or Backward Sloping Supply Curve. Shows that at higher price, less quantity will be supplied. That is a negative situation in which a fall in the price of a commodity leads to an expansion of its supply

**Abnormal supply curve (Labour)**

s

Wage Rate

**s**

O Labour Supplied

Causes of abnormal supply are as itemized below:

1. **Existence of some fixed assets** whose prices increase without a corresponding increase in its size, eg Land
2. **Rising wages of labour** where a worker tends increase his leisure time and reduce his productive working hours at high wage rate
3. **A producer with a particular target** **income** may go on supplying the market with his commodities even when prices fall.
4. **Monopolistic practices** where a producer may hold back supply even when the prices are rising, just to push the prices still higher up

**EVALUATION**

1. List at least four exceptions to the law of demand

2. Itemize and explain the factors influencing the supply of candle.

**GENERAL EVALUATION QUESTIONS**

1. Define cost.

2. Distinguish between money cost and opportunity cost.

3. What are those factors that determine price elasticity of demand

4. Explain the sources of finance available to a limited liability company

5. Why do people hold money..

**WEEKEND ASSIGNEMENT**

1. Effective supply means the \_\_\_\_ of goods produced at a particular time (a) proportion (b) entire quantity (c) total volume (d) entire stock
2. A backward sloping supply curve indicates \_\_\_\_ (a) effective supply (b) composite supply

(c) abnormal supply (d) competitive supply

1. The quantity of goods offered to the market at respective prices and presented in a table is called

(a) Price Schedule (b) supply schedule (c) scale preference (d) demand schedule

1. An inferior good is one (a) whose price is lower than the prices of other goods (b) that is too bad for consumption (c) that is easily perishable (d) whose demand falls when the income of its consumer

increases

1. Which of the following is a luxury item (a) petrol (b) text book (c) pencil (d) gold

**THEORY**

1. Mention four factors that influence the supply of a commodity

2. List four factors that are responsible for abnormal supply

**WEEK SEVEN**

**PRICE DETERMINATION IN A FREE MARKET ECONOMY**

**CONTENT**

i. Free Market Economy

ii. Determination of Price in a Free Market

iii Equilibrium Point, Equilibrium Price and Equilibrium Quantity.

iv Derivation of Equilibrium Price and Quantity from Demand and Supply Functions.

**FREE MARKET ECONOMY**

A free market is a market in which prices of goods and services are regulated by market forces. This means that prices of commodities in a free market economy are fixed by the interaction (i.e. joint actions) of demand and supply.

**DETERMINATION OF PRICES IN A FREE MARKET**

It is possible to compare demand with supply by drawing a schedule showing the quantity of goods demanded and supplied. An example of a combined demand and supply schedule is shown below.

**Price N Quantity Demanded (Units) Quantity Supplied (Units)**

7 100 900

6 200 700

5 300 650

4 400 400

3 500 300

2 600 250

1 700 200

The schedule above can be graphically represented by the curve below.

Price (₦) D S

Excess Supply

N6

N4 e

N2

S Excess Demand D

O 200 400 700

Quantity Demanded

From the table and graph above, it is seen that at N4, 400 units of goods was demanded and 400 units of goods was supplied. N4 is the equilibrium price, while 400 units is the equilibrium quantity and the point of intersection between demand curve and supply curve is called the equilibrium point.

**EQUILIBRIUM POINT, EQUILIBRIUM PRICE AND EQUILIBRIUM QUANTITY**

Given a downward sloping demand curve and an upward sloping supply curve as in the diagram above, there would occur a unique point of intersection indicating a price level at which quantity supplied will be equal to the quantity demanded. Such point of intersection is called an equilibrium point and when such point is traced to the price and quantity axis of the graph, we shall obtain the equilibrium price and equilibrium quantity bought and sold respectively. From the graph above, the equilibrium point was established at point A and when traced to the price and quantity axis, it showed the market equilibrium price and equilibrium quantity bought and sold of N4 and 400 units respectively.The equilibrium price is the price at which the quantity of goods demanded is equal to the quantity supplied. This price is determined by the interaction of supply and demand

At a price lower than the equilibrium price (say N2) demand will be greater than supply. This will lead to shortage of goods in the market that is, excess demand. On the other hand, at a higher price than the equilibrium price (say N6), producers will supply more than the consumers are willing to buy and this will lead to an excess supply – i.e surplus of goods in the market.

**Derivation of Equilibrium Price and Quantity from Demand and Supply Functions**

*Given the Demand and supply functions:*

Qd = 42-2p and Qs =12+4p

Determine the equilibrium price and equilibrium quantity

**Solution**

At equilibrium price

Qd = Qs

i.e. 42- 2p = 12+4p

42-12 = 4p +2p

30 = 6p

P= 30/6 = 5

Equilibrium price = N5

To obtain the equilibrium quantity

Substitute for p in

Qd = 42 –2p

Qd = 42 – 2 (5)

= 42 –10

= 32

Equilibrium Quantity = 32units

**EVALUATION**

1. What is equilibrium position?
2. Describe the condition for equilibrium.

# **EVALUATION QUESTION**

1. What is the equilibrium quantity?
2. Illustrate with a diagrammatic sketch the market situation at a price lower than the equilibrium price
3. Explain the term “market forces”
4. “Prices are determined by the forces of demand and supply”. Explain and illustrate with a diagram.

**PRICE SYSTEM OR PRICE MECHANISM**

**CONTENT**

1. Meaning of a Price

2. The Concept of Price System or Price Mechanism

3. Factors that Determine Price of Commodity

**MEANING OF A PRICE**

**A Price**- is defined as a monetary unit of measurement or value that helps to facilitate the exchange of goods and services in the market. That is, a price is the rate at which something can be exchanged for another thing. For goods to command a price, it must have the attributes of usefulness (valuable) and relative scarcity.

**PRICE SYSTEM OR PRICE MECHANISM**

In a free market economy, prices of goods and services affect the behaviour of both the consumer and the producer (supplier). Price system maybe defined as a system whereby prices of goods and services are determined by the free interaction of the forces of demand and supply in a free market economy. That is, it is a system of resources allocation based on a free movement of prices. It id described as a process by which the monetary value of a commodity, service, or factor of production is determined by the inter-play of the market forces of demand and supply.

**FUNCTIONS/IMPORTANCE OF THE PRICE SYSTEM**

1. The price system operates to allocate scarce resources

2. It regulates the flow of goods and services from producers to the consumer.

3. It determines the extent of demand and supply of goods and services.

4. It is used to encourage or discourage consumption of certain goods and services.

5. It helps to determine how the factors of production will be rewarded.

**EVALUATION**

1. Define price mechanism.
2. List the importance of a price mechanism.

**FACTORS THAT DETERMINE PRICE OF COMMODITIES**

a. The cost of production of the product

b. The level of profit desired by the seller

c. The level of competition in the market

d. Government policies e.g subsidies, taxation etc.

e. The activities of Trade Unions

f. The cost incurred on advertisement

g. Changes in demand and supply

**PRICE FIXING METHODS**

The prices of goods and services are often fixed by any of the following methods:

1. Through Bargaining System
2. Through Sales by Auction
3. Through Sales by Price Tags
4. Through Market Forces of Demand and Supply

**EVALUATION**

**1.** Explain factorsthat determine price

2. State three price fixing methods

**GENERAL EVALUATION QUESTIONS**

* 1. Distinguish between fixed cost and variable cost.
  2. Under what condition will a perfectly competitive firm maximize profit.
  3. Describe each of the following: (a) abnormal demand (b) effective demand
  4. What is a public corporation?
  5. Explain the causes of a declining population.

**WEEKEND ASSIGNMENT**

* 1. At the equilibrium price, quantity demanded is (a) greater than quantity supplied (b) equal to quantity supplied (c) less than quantity supplied (d) equal to excess supply
  2. The market price of a commodity is normally determined by the (a) law of demand (b) Interaction of the forces of demand and supply (c) total number of people in the market (d) total quantity of the commodity in the market
  3. The gap between demand and supply curves below the equilibrium price indicates (a) excess demand (b) excess supply (c) equilibrium quantity (d) equilibrium price
  4. If prices fall below the equilibrium (a) demand will equal supply (b) demand will be greater than supply (c) supply will be greater than demand (d) quantity supplied will be zero
  5. The price system refers to the system by which (a) the government control prices in the economy (b) prices tend to rise to a general level (c) price allocates resources between consumer and producer goods (d) the producers fix the price of their products

**THEORY**

1. Given the demand and supply function for a crate of eggs as follows: Qd = 12 –2p; Q = 3+1p

a. Determine the equilibrium price and quantity

b. What is the excess supply at the price of N3.50?

2. State three factors that determine the price of commodities

**WEEK EIGHT**

**THE NATURE OF THE NIGERIAN ECONOMY**

**CONTENT**

1. General Overview of the Nigerian Economy

2. Nature and Structure of Industries in Nigeria

3. Contributions of Primary, Secondary and Tertiary Sectors

4. Economic Activities of the Six Geo-Political Zones

**NATURE OF NIGERIA ECONOMY:**

The study of the structure of an economy is in essence the study of the ‘Anatomy’ of that economy. The structure of Nigerian economy is a system whereby the organizational framework of the economy are inter-related, logically connected through which the activities of the economy are co-ordinated or aligned.

The structure of the Nigerian economy viewed from three major sectors of primary, secondary and tertiary include the structure of production, financial system, factorial composition of value added, composition of resources and uses of resources, demographic variable in forms of the population and the degree of urbanization.

The outline of the structure of the Nigerian economy can be broadly classified into:

1. **Production**, which is made up of:

(a) Agriculture (cropping, livestock, forestry and fishery)

(b) Manufacturing

(c) Mining and quarrying

(d) Real estate and construction

2**. General Commerce**, which is composed of:

(a) Bill discounted

(b) Domestic trade

(c) External trade (import and export)

3. **Services**, which include:

(a) Public utilities

(b) Transport

(c) Communication, etc.

4. Others which are:

(a) Credit and financial institutions

(b) Government

5. Miscellaneous which are:

(a) Personal and professional

(b) Private sectors.

**EVALUATION**

* 1. Explain the structure of the Nigerian economy
  2. Outline the classifications of the structure of Nigerian economy

**GENERAL OVERVIEW OF THE NIGERIAN ECONOMY**

Nigeria is a structurally imbalanced economy that completely depends on agriculture before the discovery of oil boom.

Lack of diversification made the Nigerian economy to have the shape of a crooked glass, broad at the bottom, thin at the middle, and broad again at the top. At the bottom is the primary sector made up mainly of agricultural sector. Thin in the middle is the industrial sector largely under-developed, and broad again at the top is the service sector consisting mainly of relatively under-trained self-employed artisans, some professionals and civil servants.

In 1970, the emergence of oil distorted the attention paid to other sectors of the economy which brought an era of economic downturn and massive importation. In 1981, oil prices fell drastically and Nigerian external debt grew high.

Again, in 1986, the world oil market witnessed further fall in prices which made the economy to prone to external disequilibrium with all sectors of the economy seriously affected.

Industrial capacity utilization fell, shortage of essential commodities arose, nation’s foreign reserves depleted, external and domestic debts setting in, balance of payment problem became chronic, unemployment, inflation and other socio-economic problems triggered off, as overseas banks stopped confirming letters of credits for Nigerian banks.

The burden of economic management became a serious problem, and alternative approaches were introduced to tackle the problem through the adoption of the, ‘Structural Adjustment Program me (SAP)’, in 1986. The primary aim of the program me is to effectively alter and restructure the production and consumption pattern of the economy, eliminate price distortions and reduce the heavy dependence on the export of crude oil and import of consumer and producer goods.

**EVALUATION**

* 1. Explain how Nigeria came up with economic downturn in 1981
  2. Highlight the primary aims of SAP

**NATURE AND STRUCTURE OF INDUSTRIES IN NIGERIA**

**An Industry**- refers to a number of firms producing similar commodities. Thus**, Industrialization** is the process of building up a nation’s capacity to convert raw-materials and other inputs to finished goods, and to manufacture goods for other production or for final consumption.There are five main types of industry that dominate the Nigerian economy, which are:

* 1. **Processing Industry**- is an industry which involves in beverages and semi-finished goods
  2. **Manufacturing Industry**- is an industry which involves in transforming raw-materials into finished goods.
  3. **Craft Industry**- (ie Cottage industries) is an industry which involves in the metal and wood carving work and constructive activities where the needed materials are sourced locally and the use of simple tools
  4. **Mining Industry**- is an industry which involves the extraction of raw-materials from the earth crust.
  5. **Service Industry**- is an industry which involves in retail, transport, distribution, food service, as well as other services-dominated business.

**EVALUATION**

1. Differentiate between industry and industrialization

2. List at least four main types of industry in Nigeria

**CONTRIBUTIONS OF PRIMARY, SECONDARY AND TERTIARY SECTORS**

**Primary Sector**- is a sector that involves in the extraction of raw – materials. This sector helps to provide employment to Nigerian people and make raw – materials available to feed the nation’s industries. The sector also provides food for the teeming population of Nigerian people, and income for the government.

**Secondary Sector**- is a sector that is involved in the conversion of raw-materials into finished goods. This sector helps to provide employment to people, add value to materials, generate income for government, enhance economic development, improve the standard of living of the people, etc.

**Tertiary Sector**- is a sector that is involved in the commercial activities and the rendering of direct and indirect services. This sector helps to distribute goods to the consumers. It provides employment to people, and render essential services to the people as well.

**EVALUATION**

1.Briefly discuss the three economic sectors in Nigeria

2. State three economic contributions of each sector.

**ECONOMIC ACTIVITIES OF THE SIX GEO-POLITICAL ZONES IN NIGERIA**

The idea of six geo-political zones in Nigeria emanated and crept into the dictionary of the country from the Late General Sanni Abacha, the former Military Head of State (1993-1998). Although, the categorization of the entire notion into geo- political zones did not come as an official pronouncement, by 1997 this classification had gained prevalence in the political language of the notion. The six major zones into which Nigeria as a country is divided are:

**NORTH – WEST ZONE**: The states found in this zone include Sokoto, Zamfara, Kebbi, Katsina, Jigawa, Kano and Kaduna States. The economic activities of this zone is majorly agriculture in terms of farming and rearing of animals. They plant crops like cereals – maize, millet, soghium, corns, etc, both for local consumption and exportation.. Also, they are involved industrial activities like mining of mineral resources like lime-stone for the production of cement in Sokoto.

**NORTH – CENTRAL ZONE**: The zone represent the middle belt of Nigeria comprising of Benue, Kogi, Nasarawa, Niger and Plateau States. The Federal Capital Territory (FCT) Abuja is also located in this zone. The main activities in this zone are farming, weaving, blacksmithing, tying and dying, and mat making. The main economic activities of this zone are farming and fishing as a result of their fertile nature of soil and the presence of River Niger and Benue. They are equally involved in mining activities in Jos (tin and columbite), gold and Iron- Ore in Kogi and limestone in Benue State. Hydro-electric power is also found in this region, eg Kainji Dam.

**NORTH – EAST ZONE**: The states in this zone include Yobe, Borno, Bauchi, Gombe, Adamawa and Taraba States. The major economic activities of this zone involves agriculture and livestock production especially in cattle, sheep and goat. They are equally involved in minor mining activities. The zone is the least endowed with mineral resources.

**SOUTH –WEST ZONE**: The zone is made up of the six Yoruba speaking states of the country. The states are Lagos, Ogun, Oyo, Ondo, Ekiti, and Osun States. The zone is endowed with both agricultural and commercial activities. The region engaged in farming especially cash crops like cocoa, kola-nut, coffee, coconut, livestock activities like poultry and piggery, etc. Minerals like limestone at Ewekoro and Sagamu in Ogun State, bitumen in Ondo State are mined with other commercial activities

**SOUTH – EAST ZONE**: The zone is made up of the five Igbo Speaking states which are Anambra, Imo, Enugu, Abia and Ebonyi States. The main economic activities of this zone is agriculture of cash crops like palm products, rubbers, food crops, etc. Minerals like lime-stone in Nkalagun in Anambra State, lead and zinc mineral in Abakaliki in Ebonyi State and coal mining in Enugun. The zone is also noted for heavy trading and local manufacturing in Abia and Anambra..

**SOUTH – SOUTH ZONE**: The zone comprises of the six oil-producing states of the Niger delta which are Edo, Delta, Rivers, Bayelsa, Cross River and Akwa-Ibom States. The major economic activities of this zone include the production of crude-oil (Petroleum), limestone in Edo and Iron-Ore in Delta. They are equally involved in crop farming like cocoa, oil palm, kola, rubber, etc, fishing due to their location in Niger Delta. Other economic activities are in trading and seaport activities.

**EVALUATION**

1. List the six geo – political zones in Nigeria

2. Briefly explain the economic activities of each zone

**GENERAL REVISION**

1. Distinguish between money cost and opportunity cost.
2. What form of business enterprises would you recommend for a tailor?
3. What factors limit indigenous firms in West Africa?
4. Why do Government conduct population census?
5. Describe four merit of public corporation.

**WEEKEND ASSIGNMENT**

* + 1. The outline of the structure of the Nigeria economy consists of all the following classifications except \_\_\_\_ (a) production (b) general commerce (c) services (d) governance
    2. Before the advent of oil boom in Nigeria, the economy was completely depended on \_\_\_\_

(a) agriculture (b) oil exploration (c) foreign trade (d) industrial activities

* + 1. The alternative approach introduced to solve the burden of economic management in Nigeria in 1986 was the adoption of the \_\_\_\_ (a) National Economic Empowerment And Development Strategy (NEEDS) (b) Structural Adjustment Program me (SAP) (c) National Poverty Eradication Program me (NAPEP) (d) Directorate of Food, Roads, and Rural Infrastructure (DFFRI)
    2. The fall in oil price in the world market in 1986 made Nigeria economy to prone to chronic socio-economic problems and external disequilibrium that pushed the overseas banks to stop confirming \_\_\_\_ for Nigerian banks. (a) letters of promotion (b) letters of credit (c) letters of inquiry (d) letters of request.
    3. The Nigeria military government under General Sanni Abacha in 1997 divided the country into \_\_\_\_ (a) seven geo-political zones (b) five geo-political zones (c) six geo-political zones (d) four geo-political zones.

**THEORY**

1. Briefly explain the general overview of the Nigerian economy

2. Discuss the main economic activities of four geographical zones of the country

**WEEK NINE**

**AGRICULTURE**

CONTENT

1. Meaning of Agriculture
2. Components/Structure of Agriculture
3. System of Agriculture
4. Importance of Agriculture
5. Problems of Agriculture
6. Solutions to Problems of Agriculture

**MEANING**: Agriculture can be defined as the production of crops, animals, fishes and forest resources for the consumption and other benefit of human. It is a dominant occupation which employs about 65-70% of the total population of West Africa.

**CONPONENTS OF AGRICULTURE:**

Agriculture is made up of the following-

1. Live stock
2. Fishing
3. Crop production
4. Forestry

**LIVE STOCK**

This involves rearing of domestic animal, e.g pigs, cattle, horses, donkeys, goats, sheep, e.t.c. Most of these animals are reared to satisfy domestic consumption.

**FORESTRY**

It concerns the preservation of economic trees or plant. Also, it involves the extraction of various forms of resources asscioated with forest e.g furniture, plywood, boat, manufacturing of papers, electric pools, e.t.c.these are some of the things we derive from plant preservation.

**CROP PRODUCTION**

It involves cultivation of various crops. Crops are divided into two categories: food crops and cash crops.

1. **Food Crops**: these are majorly for consumption e.g maize, rice, beans, coco yams, yam, tomatoes, corn, millet e.t.c.
2. **Cash Crops**: these are meant for sale either locally or export. E.g cocoa, palm oil, rubber, palm kernels, cotton, groundnut, e.t.c.

**FISHING**

This involves breeding and catching of fishes from the rivers for human consumption. it constitutes major occupation of people that reside in the riverine area.

**EVALUATION**

1. Define agriculture.

2. State the three component of agriculture

**SYSTEM OF AGRICULTURE**

Systems of agricultural production include:

1. Plantation farming
2. Peasant farming
3. Cooperative farming
4. Mechanized farming

***Plantation farming***

It involves the use of large estate of land permanently planted with economic or commercial crops. Examples of crops planted on plantation farming include: sugar, cotton, rubber, sugar cane, tobacco, e.t.c. In plantation farming, land could be owned by the government, private individual, or corporate bodies.

***Peasant farming***

This is also known as subsistence agriculture. It involves cultivation on a small scale (acres of land). Land in this situation is often owned communally and they employ mainly their own family labour. The size of land used by peasant farmers is majorly determined by the size of their family members and their family land. Rudimentary farming equipments such as cutlasses, axes, hoes, e.t.c.which are crude in nature are usually used in peasant farming.

***Cooperative farming***

In this nature of farming, farmers come together to form a sort of association or union. This form of union is adopted in other to obtain loans and aids from government, in order to hire or purchase farming equipments.

***Mechanized farming***

This involves the extensive use of machine and other types of advanced mechanical devices in agricultural production. It ensures large scale production because the use of human labour is replaced with that of machines. E.g. harvesters, ploughs, tractors. e.t.c. this form of farming has not been popularized in west Africa.

**EVALUATION**

1. Define mechanized farming
2. List and explain two component of agriculture.

**IMPORTANCE OF AGRICULTURE IN WEST AFRICA**

1. Source of raw materials
2. Provision of food
3. Provision of employment
4. Creation of market for industrial product
5. Source of income
6. Source of Labour for industries

**PROBLEMS OF AGRICULTURE IN WEST AFRICA**

1. Illiteracy/ignorance
2. Lack of medical facilities
3. Use of crude implement
4. Poverty
5. Lack of credit facilities
6. Lack of storage facilities
7. Poor transportation
8. Problem of land tenure system
9. Pests and diseases
10. Natural disaster

**SOLUTION TO THE PROBLEMS OF AGRICULTURE**

1. Granting of credit facilities to farmers
2. Improvement of transportation system
3. Discouraging migration
4. Mechanization of agriculture
5. Effective control of pest and diseases
6. Provision of medical facilities
7. Education
8. The use of research
9. Use of irrigation
10. Control of erosion

**EVALUATION**

1. List seven problems of agriculture
2. List and explain three ways of how to solve the problems of agriculture in west Africa.

**GENERAL EVALUATION QUESTIONS**

1. What is trade by barter?
2. Highlight the problems posed by trade by barter.
3. What is partnership?
4. Explain the function of money as the i store of value ii measure of values
5. Give three reasons why primary production pre-dominates in developing countries.

**WEEKEND ASSIGNMENT**

1. Use of crude implement is a problem of \_\_\_\_ (a) transportation (b) agriculture (c) politics

(d) environment.

1. Which of these is a component of Agriculture? (a) education (b) fishing (c) cutlass (d) tractor.
2. Subsistence agriculture is another name for (a) mechanized (b) plantation (c) peasant (d) cooperative farming.
3. Rubber and cotton are examples of \_\_\_\_ crops (a) food (b) cash (c) plantation (d) consumer.
4. Poverty is a problem of agriculture (a) false (b) true (c) none (d) indifference

**THEORY**

* + 1. What do you understand by the term Agriculture
    2. List and explain seven importance of Agriculture in West Africa.

**WEEK TEN**

**MINING**

**CONTENT**

1. Meaning of Mining
2. Components of the Nigeria Mining Industry
3. Minerals (Types, Uses and Locations)

**DEFINITION OF MININIG**

**Mining:** is the processof getting coal, gold and other minerals from under the ground by making a deep hole or holes where these minerals are dug. That is, it is an extraction of minerals from under the ground through the process of digging deep holes into the grounds. Mining is one of the major occupations in Nigeria which could be traceable to our forefathers. The arrival of the Europeans colonial masters in the early 19th century led to the decline of great participation in the industry. The decline in local participation was due to factors such as the monopoly of exploitation by Europeans, inadequate technology on the part of the Nigerian miners, the superiority and competition of European final products with those of the local mining industries.

**COMPONENT OF NIGERIA MINING INDUSTRY**

The components of the Nigerian mining industry consist of different mining industries set up for the extraction of minerals in different locations within the country. Most of the mineral fuels, natural gas, petroleum and coal are located in the Southern states namely: Rivers, Bayelsa, Cross-River, Akwa-Ibom, Delta, Anambra, Ebonyi, while the major deposits of coal are located in Enugu and Imo states. On the other hand, gold, columbite and tin are located mainly near Jos in Plateau state. There are deposits of tin, gold and limestone in Osun state. Other minerals of less importance include lignite clay, marble, thorium, mica and uranium which are either completely untouched or are exploited on a small scale by local enterprises. The following mining industries are set up in Nigeria:

**Petroleum Industry**- It is for the extraction of crude oil in Port-Harcourt, and Niger Delta area.

**Coal Mining Industry**- It is for the mining of coal in Enugu and Benue States.

**Iron And Steel Industry**- It extracts iron ore and feed them into Iron and Steel Complex at Ajaokuta in Kogi State and Aladja in Delta State

**Tin And Columbite Mining Industry**- It mines tin and columbite in Jos in Plateau State.

**Limestone Cement Industry**- It turns limestone into cement in Ewekoro and Ishagamu in Ogun State, Calabar in Cross-River State and Nkalagun in Anambra State.

**Marble Mining Industry-** Its main source of supply is at Jakuta in the Lokoja area of Kogi state. It is cut and polished for the building industry and monuments.

**Lead – zinc Mining Industry**- It mines lead and zinc in Abakaliki in Ebonyi state.

**EVALUATION**

1. Define mining of mineral resources
2. Briefly explain component of mining industry in Nigeria

**TYPES OF MINERAL AND THEIR USES**

1. **Petroleum (crude oil)-** is a liquid mineral called black gold from which petrol, kerosene, diseal and other petrol chemical products are derived. It is originated from dead plants and animals matters deposited and transformed over a period of time by heat and pressure into sedimentary matters.
2. **Coal-** is a major source of power from a sedimentary rock. It is suitable for the production of tar and synthetic fertilizer, for ordinary steam raising purposes including the generation of electricity and also for the manufacture of chemicals and liquid fuels as a result of its richness in hydrocarbons, waxes and resins.
3. **Iron – Ore –**is a basement complex rock mineral fed into iron and steel complex to make iron and steel.
4. **Tin and Columbite-** are basement complex rock minerals of silvery malleable element that resist corrosion used for manufacturing heat resistant steel used in Jet engine.
5. **Limestone-** is a sedimentary mineral rock used for manufacturing of cement. It provides the necessary raw materials for the country’s cement factories.
6. **Lead and Zinc-** are sedimentary mineral rocks used in industry locally.
7. **Marble-** is a hard crystalline metamorphic rock that takes a high polish used for sculpture, building materials and for monuments.
8. **Gold-** is a soft yellow malleable ductile metallic element which occurs mainly as nuggets in rocks and alluvial deposits. It is very valuable among the precious stones.
9. **Natural Gas-** is fossil fuel in the gaseous state produced during petroleum refinery used for cooking, heating up homes and industrial purposes.

**EVALUATION**

1. List types of mineral and their locations
2. State five different minerals and their usages

**IMPORTANCE OF MINERALS TO NIGERIA**

1. Mining of minerals helps to provide employment to the people
2. It serves as a source of revenue generation to the government
3. It provides raw-materials for our local industries.
4. It enhances economic growth and development
5. It helps to equip Nigerian people with the acquisition of technical skills
6. It makes laudable contribution to Gross Domestic Product (GDP)
7. It serves as source of foreign exchange earner to the government
8. It helps to enhance the standard of living of the people.
9. It helps to supply fuel and energy

**PROBLEMS FACING MINING IN NIGERIA**

1. Inadequate capital for exploration
2. Problem of poor transportation network
3. Inadequate technical personnel needed for mineral exploration
4. Problem of fluctuation in the world prices of minerals.
5. Problem of environmental pollution through oil spillage and degradation.

**EVALUATION**

1. Outline five importance of minerals to Nigeria
2. Highlight five problems facing mining in Nigeria

**GENERAL EVALUATION**

1. Define the term limited liability compay
2. Explain any four problems of statutory corporation
3. Outline any five internal economies of scale enjoy by a large firm.
4. Highlight four features of a table
5. Define a joint stock company.

**WEEKEND ASSIGNMENT**

1. The basement complex rock minerals used for manufacturing of heat resistant steel are \_\_\_\_

(a) limestone (b) lead and zinc (c) tin and columbite (d) natural gas

1. The process of digging deep holes into the ground to extract deposited mineral resources from the earth crust is known as \_\_\_\_ (a) farming (b) manufacturing (c) mining (d) lumbering
2. A liquid mineral resources called black gold is \_\_\_\_ (a) petroleum (b) coal (c) gold (d) limestone
3. The extraction of iron ore serves as raw material being used to feed Iron and Steel Complex at \_\_\_\_ (a) Ewekoro and Ishagamu (b) Ajaokuta and Aladja (c) Jos and Enugu (d) Ebonyi and Nkalagu
4. All the following are environmental problems caused by mining except \_\_\_\_ (a) air pollution (b) oil spillage (c) land pollution (d) fumigation

**THEORY**

1. Mention at least five states in Nigeria and types of mineral found in them.
2. State five contributions of mining to economic development in Nigeria.