**ECONOMICS SS 3**

**FIRST TERM**

**SCHEME OF WORK**

1. Human Capital Development.
2. Petroleum and the Nigerian Economy.
3. Manufacturing and Construction Industry.
4. Services Industries.
5. Agencies that Regulate the Financial markets.
6. Functions and Role of Regulatory Agencies.
7. International Trade I.
8. International Trade II
9. Balance of Payment.

**WEEK ONE**

**LESSONS FROM ASIAN TIGERS, JAPAN, EUROPE AND AMERICA**

# CONTENT

1. **Economic History of the Asian Tiger and Japan(1960-2000).**
2. **Review of the Development Strategies employed by the Asian Tiger.**
3. **Lessons for the Nigerian Economy.**

# Economic Transformation of the Asian Tigers and Japan (1960-2000)

# The term "Asian Tigers" refers to a group of countries in Southeast Asia, including Hong Kong (an administrative zone of China), Taiwan, Singapore, South Korea, and Indonesia. From 1960 to 2000, these Asian economies achieved remarkable growth, earning them the moniker "Asian Miracles." During this period, they pursued aggressive economic development and emerged as major players in the global economy. These nations prioritized regional economic integration and established the Association of Southeast Asian Nations (ASEAN) with the goal of becoming an official Economic Community by 2015.

# In just four decades, these economies evolved from regional players to global powerhouses, making significant contributions to the world economy.

# The Japanese Miracle

# The "Japanese Miracle" refers to Japan's remarkable economic recovery following the devastation of World War II. In a short span after the war, Japan rebounded and joined the ranks of prosperous nations.

# Evaluation Questions

# 1. Asian Tigers Composition: List the countries that make up the Asian Tigers.

# 2. Economic History: Provide a brief description of the economic history of the Asian Tigers.

# Development Strategies Employed by the Asian Tigers

# 1. Investment in Skills: The Asian Tigers focused on human capital development, emphasizing education and skill training to create a competent workforce.

# 2. Advancement in Technology: They embraced technological innovation and invested in research and development, which contributed to their economic growth.

# 3. Engagement of Special Agencies: Specialized government agencies were established to coordinate economic development efforts effectively.

# 4. Setting up Pilot Projects: They initiated pilot projects to test new ideas and policies, ensuring their feasibility before full-scale implementation.

# 5. International Collaboration: Collaboration with international organizations and partners played a pivotal role in the development strategies of the Asian Tigers.

# Lessons for the Nigerian Economy

# The Nigerian economy can draw valuable lessons from the success of the Asian Tigers, including:

# 1. Deliberate Government Policies: Formulating and implementing government policies that promote economic development and sustainability.

# 2. Agricultural Development: Prioritizing the development of the agricultural sector to ensure food security and economic growth.

# 3. Industrialization: Encouraging industrial development to diversify the economy and reduce dependence on a single sector.

# 4. Small and Medium-Scale Enterprises (SMEs): Fostering the growth of SMEs, which can be crucial drivers of economic expansion and job creation.

# Evaluation Questions

# 1. Lessons from Asian Tigers: What lessons can Nigeria learn from the Asian Tigers' economy?

# 2. Strategies of Asian Tigers: Describe the strategies employed by the Asian Tigers.

# General Evaluation Questions

# 1. Personal vs. National Income: Differentiate between personal income and national income.

# 2. Uses of National Income Data: Explain four uses of national income data.

# 3. Measuring National Income: Describe the method of measuring national income.

# 4. Sources of Government Revenue: Identify the sources of government revenue.

# 5. Financing a Deficit Budget: Explain how the government finances a deficit budget.

# WEEKEND ASSIGNMENT

1. The group of countries in the South east of Asia whose economies are referred to as Asian Miracle is A. ASEAN B. Asian Tiger C. China D. America.
2. What is needed to boost a country’s economy? A. Debt B. High savings rate C. Transfer payment D. Risk.
3. Those five country’s Economies became really big within A. 20 years B. 35years C. 40years D. 100 years.
4. Ikeda plan was unveiled in the year? A.1965 B. 1960 C. 1950 D. 1945.
5. The period from 1960 to 1970 Japan experienced A. recession B. double digit growth C. inflation D. unemployment.

# THEORY

1. Discuss the factors that account for rapid development of the Asia Tiger.
2. What are the problems facing Small and Medium scale Enterprise in Nigeria?

**WEEK TWO**

**HUMAN CAPITAL DEVELOPMENT**

# CONTENT

1. Meaning
2. Charateristic
3. Factors affecting the efficiency of Human capital
4. Differences between Human and physical Capital
5. Brain Drain and its effect on the Nigerian Economy
6. Arresting Brain Drain

HUMAN CAPITAL

Human Capital refers to the skills, training, experience, education, knowledge, technical know-how and competencies contributed by humans to production process.

Human capital is an important factor of production. It is the value that is added into a company by an employee which can be measured by the employee’s skills and competencies of Human capital.

Characteristics of human capital

1. Human capital is mobile
2. Human capital is skillful
3. Human capital has feelings
4. It requires innovation
5. Human capital is not predictable
6. Human capital is perishable
7. Human capital is not fixed

PHYSICAL CAPITAL

Physical Capital refers to asset which themselves have manufactured and are used for production of goods and services. Examples include machinery, equipment, buildings etc.

# EVALUATION

1. Define Human capital
2. Define Physical capital

DIFFERENCES BETWEEN HUMAN CAPITAL AND PHYSICAL CAPITAL

Human Capital Physical Capital

|  |  |
| --- | --- |
| It is a human asset | It is a non-human asset |
| It includes skills, training, education etc | It includes asset manufactured and used in production process. |
| It is controlled by humans | It cannot be controlled by itself |
| It can appreciate through training, education, experience etc | It cannot appreciate in value |

The reward is wages and salaries It reward is interest

FACTORS AFFECTING EFFICIENCY OF HUMAN CAPITAL

As an intangible asset,human capital the workforce a company employs. The following factors affect the efficiency of human capital;

1. Education
2. Experience
3. Competence
4. Personal attribute
5. Increase in innovation
6. Skills
7. Health
8. Training

# EVALUATION

1. State three differences between Human capital and Physical capital
2. Explain five factors affecting efficiency of Human capital.

BRAIN DRAIN

It is also known as Human capital flight. It may be defined as the departure or emigration of individuals with technical skills or knowledge from organizations, industries or geographical region to another.

Brain drain is common among developing nations.

HOW TO ARREST BRAIN DRAIN

Brain drain is taking place at a very fast rate in developing countries. Nigeria is no exception. If we want to arrest Brain drain the following should be done;

1. Provision of better job opportunities.
2. Provision of attractive salaries.
3. Promotion on merit.
4. Improvement on adequate research facilities.
5. Abolition of quota system.
6. Improvement of power supply.
7. Protection of the lives and property of citizens.
8. Improvements on the universities.

# EVALUATION

1. What is Brain Drain?
2. How can Brain Drain be arrested in Nigeria?

# GENERAL EVALUATION

1. What is Economic planning?
2. Outline the problems associated with planning.
3. Differentiate between Economic growth and Economic development
4. Give five Reasons for continued existence of OPEC.
5. State five positive and negative contribution of crude oil to the Nigerian Economy

# WEEKEND ASSIGNMENT

1. The value that is added into a company by an employee is known as A. human capital B. capital C. physical asset D. developmental capital.
2. Physical capital is also known as A. human capital B. non-human capital C. labour D. humans.
3. One of these is not the charateristic of human capital A. it is mobile B. It is tangible C. It has feelings D. It requires motivation
4. The departure or emigration of individual with technical skills or knowledge from one country to another is known as A. mobility of labour B. brain drain C. travelling D. emigration
5. All are factors responsible for brain drain except A. poor opportunity B. political instability C. marriage D. social environment.

# THEORY

1. Briefly explain the factors affecting human capital
2. Differentiate in a tabular form human capital and physical capital.

**WEEK THREE**

**PETROLEUM AND THE NIGERIAN ECONOMY**

# CONTENT

1. Historical development of petroleum in Nigeria.
2. Positive Contributions of petroleum to Nigeria Economy.
3. Negative Contributions of Petroleum to Nigeria’s Economy.
4. NNPC – Formation and roles in production refining and marketing of oil.

Petroleum was discovered in commercial quantity in 1956 by shell BP at Oloibiri in the present River State. Ever since 1976 till date, petroleum has remained the major source of government revenue in Nigeria.

POSITIVE CONTRIBUTIONS OF PETROLEUM TO NIGERIA ECONOMY

1. Petroleum serves as sources of revenue to the country.
2. Employment generation e.g. petroleum engineers, geologists, chemical engineersetc.
3. Improvement in the infrastructure of the country e.g. flyovers, airports roadsdevelopment are linked to earning from petroleum.
4. The major foreign exchange earnings in the country is crude oil. Thereforepetroleum serves as source of foreign exchange.
5. Development of oil related industries e.g. oil servicing firm, petro chemicalindustry.
6. Improvement of the living standard of the citizens of the country.
7. Provision of wide range of products.
8. Major source of fuel e.g. petrol, diesel, kerosene etc.
9. Repositioning of the country in the global politics.

NEGATIVE EFFECTS OF PETROLEUM IN NIGERIA

1. Environment pollution e.g. Niger Delta area with land and air pollution.
2. Inflation – since the discovery of oil in Nigeria prices of goods and services havebeen Skyrocketing.
3. Neglect of Agriculture – prices of food stuff in the market are so dear due toneglect of agricultural sector which used to be the major source of revenue for the government.
4. Increase in crime rate – emergence of advance fee fraud known as 419,Cybercrime, Armed robbery, pen robbery are traceable to emergence of oil.
5. Civil Unrest – Breakdown of law and order in Niger Delta, coupled with kidnappingof oil workers for ransom had turned the country to a no go area.

# EVALUATION

1. List four positive contributions of crude oil to the development of the Nigeria’s Economy.
2. Discuss seven negative contributions of crude oil in the Nigerian Economy.

Other mineral resources in Nigeria

1. Coal
2. Iron Ore
3. Tin and Columbite
4. Limestone
5. Lead and Zinc

NIGERIA NATIONAL PETROLEUM CORPORATION

The Nigerian National Petroleum Corporation (NNPC) was established in 1977 and was saddled with the responsibility of exploration production and refining of petroleum as well as distributing i.e. marketing of crude oil and petroleum products.

ROLES OF THE NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC)

1. Regulating the activities of the oil companies i.e. issuance of license for oilexploration, prospecting, operation of filling stations.
2. Exploration and production of petroleum products.
3. Refining and distributing the products for domestic use.
4. Manpower development, this led to the establishment of the Petroleum TrainingInstitute in Warri, Delta State.
5. Implementing oil policies i.e. determining the prices of petroleum products.
6. Employment generation.

# EVALUATION

1. Outline five positive effects of petroleum to the economy of Nigeria.
2. Is petroleum a problem or blessing to Nigeria Economy?

# GENERAL EVALUATION

1. Describe the methods of measuring national income.
2. Discuss the economic activities.
3. State five determinant of elasticity of demand.
4. What is a supply schedule?
5. State the reasons for holding money.

# WEEKEND ASSIGNMENT

1. Where in Nigeria was petroleum first discovered in commercial quantity.
   1. Enugu B. Oloibiri C. Kaduna D.Ogoja
2. Which company first discovered petroleum in commercial quantity in Nigeria.
   1. Shell BP B. Agip C. Gulf D. Butman
3. Which of the following is not done by the NNPC?
   1. Production of crude oil B. Refining of crude oil C. Exportation for crude oil

D. Exploitation of crude oil E. Pricing of crude oil

1. The major foreign exchange earner for Nigeria is \_\_\_\_\_\_\_
   1. Agriculture B. sports C. Tourism D. Petroleum
2. Mono product economies are those that produce \_\_\_\_\_\_\_\_\_

A. only inter mediate product B. agricultural product C. agricultural products D. one man commodity

# THEORY

1. Explain three positive and two negative contributions of petroleum to the Nigerianeconomy.
2. Discuss the role of the Nigerian National Petroleum Corporation (NNPC)

**WEEK FOUR**

**MANUFACTURING AND CONSTRUCTION INDUSTRIES**

# CONTENT

1. Definition
2. Types of Manufacturing Industries
3. Contribution of Manufacturing and Construction Sector to Nigeria’s GDP
4. Roles of Manufacturing and Construction in Economy Development.

MANUFACTURING INDUSTRIES

Manufacturing refers to the turning of raw material into new products by mechanical or chemical processes at home or in the factory.

Manufacturing industry is concerned with the activities of those who engage in processing and turning raw material produced in the primary industries into finished product. Examples shoe making, food processing, plastic processing, textile processing etc CONSTRUCTION INDUSTRIES

Construction Industry is concerned with all the activities of those who engage in assembling of goods manufactured into useable form.

Construction Industries engage in activities like construction of roads, bridges, Airports, furniture houses etc.

# EVALUATION

1. Define Construction
2. List four examples of construction industries.

CONTRIBUTIONS OF INDUSTRIAL SECTOR TO ECONOMIC DEVELOPMENT

Industrial sector has contributed greatly to the economic development of all nations in the following ways;

1. Increase in the Gross National Products (GDP)
2. Provision of Employment opportunities
3. Stimulation of other sectors of the Economy
4. Control Inflation due to mass production
5. Infrastructural development
6. Diversification of the economy 7. Funding of educationand research

8. Manpower Development.

# EVALUATION

1. Explain four roles of manufacturing and construction industry to Economic development.
2. Discuss the contribution of industrial sector to Economics development.

# READING ASSIGNMENT

1. Amplified and Simplified Economics for SSS by Femi Longe page 541-542.
2. Essential Economics for SSS by C E Ande page 358-363

# GENERAL EVALUATION

1. Write short note on I saving ii Investment iii Consumption 2. Explain each of the following i Terms of Trade ii Balance of Terms.

1. What is Taxation?
2. Distinguish between direct tax and indirect tax
3. Why does the government impose taxes?

# WEEKEND ASSIGNMENT

1. The industry concerned with conversion of raw material into finished goods is A. conversion B. manufacturing C. construction D. power
2. An example of manufacturing industry is A. shoe making B. road construction C. service D. banking
3. One of the contribution of construction industry to the development of the economy is A. decreasing the GDP B. unemployment of graduate C. Stimulation of other sectors D. shortage of infrastructure
4. The sector where the manufacturing industry gets its raw material is in A.

secondary B. primary C. tertiary D. semi secondary

1. One of the problems facing the manufacturing and construction industry in Nigeria is……..except A. lack of skilled personnel B. high level of illiteracy C. lack of fund D. surplus fund.

# THEORY

1. Outline any three problems which result from the concentration of manufacturing industries.
2. Discuss five contribution of industries to the Economy

**WEEK FIVE**

**SERVICE INDUSTRY**

# CONTENT

1. Meaning
2. Examples
3. Contribution of services industry to development

SERVICE INDUSTRIES

This is also known as the tertiary sector of industry. It involves the provision of services to business as well as to the final consumers.Service involves doing something for the consumers, which could be personal or indirect services.

EXAMPLES OF SERVICE INDUSTRY

1. Tourism attraction: This is concerned with all the activities of those who engage in creating tourist attractions in different tourist centerseg guides in national park.
2. Warehousing: The people involved are warehouse managers,clerks etc.They areconcerned with ensuring that goods produced are stored until they are needed for consumption.
3. Communication: It includes all activities which promote rapid transmission of messages between sender and receiver or from one place to another eg courier service provided, telephone operator.
4. Transportation: It is concerned with the movement of goods and services to where they are needed. Those engaged in these services include drivers, pilot and sailors.
5. Advertising : It involves the business of providing information about the existence of a product to the potential buyers eg Advertising agents
6. Banking: It involves people who assist others to have money for their daily needs. They also provide capital for those embarking on industrial activities and saving facilities eg bankers

7. Insurance: It is concerned with the activities of people who undertake to protect individual or businesses against risk in their day to day activities eg Insurance broker, underwriters and agents

# EVALUATION

1. Define service.
2. Explain five examples of service industry.

CONTRIBUTIONS OF THE SERVICE INDUSTRY TO ECONOMIC DEVELOPMENT

The serviceindustry does contributegreatly to the economic development of Nigeria in the following ways:

1. Generation of employment opportunities.
2. Provision of aids to trade
3. Generation of revenue to the government
4. Diversification of the economy
5. Infrastructural development
6. Stimulation of other sectors of the economy
7. Integration of different region in the economy

# EVALUATION

1. Define service industry
2. State and explain the roles of services industry to the economic development of Nigeria

# GENERAL EVALUATION

1. Explain the following i) Gross Domestic Product ii) Cost of living iii) Per Capita income
2. Who is a discriminating monopolist?
3. Explain three advantages of monopoly.
4. What is protective tariff?
5. Outline any four reasons in favour of protective tariff.

# WEEKEND ASSIGNMENT

1. The service industry is also known as the ………industry A. processing B. tertiary C. construction D. mining
2. There are …..types of services occupation a. A. five B. two C. ten D four.
3. Indirect service ……… except A. soldiers B. law makers C. civil servant D.

housemaids

1. Banking, transport, insurance etc are also refer to as ……..A. trade B. commerce C. auxiliaries to trade D. occupation

5. All these are reasons for the growth of the service sector except A. urbanization B. privatization C. increase in demand D. decrease in urbanization

# THEORY

1. What is service industry?
2. List and explain the types of services industry.

**WEEK SIX AND SEVEN**

**REGULATORY AGENCIES OF FINANCIAL INSTITUTION**

# CONTENT

1. Agencies that regulate money market.
2. Tools/instruments used in money markets.
3. Agencies that regulate capital market.
4. Objectives of regulating capital markets.
5. Tools/instruments used in capital markets.
6. Significance of the agencies in the economy.

Agencies that regulate money market

1. Central Bank of Nigeria (CBN)
2. Nigeria Deposit Insurance Corporation (NDIC)

CENTRAL BANK OF NIGERIA

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 herown 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.

FUNCTION OF THE CENTRAL BANK

1 It serves as 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 CONTROL

THE COMMERCIAL BANKS

The government carries its monetary policy through the central bank. The central bank itself enforces the monetary policy through the various ways 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 chargescommercial 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.

1. Liquidity Ratio / Cash Reserve Ratio: This is a requirement by law to the commercialbanks 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.
2. Special Deposit: This is an instruction to the commercial banks to keep with thecentral 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.
3. Open Market Operations (OMO): This is the 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 in circulation is too small and wants to increase it, it will buy securities in the open market paying with its own cheque. 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.

1. Special Directives: These are special instructions which the central bank gives tocommercial 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.
2. Moral Suasion: This is persuasion based on moral grounds not with the use of forceof 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. Failure to comply can thereafter necessitate force of law. Directives and moral suasions are widely used in developing countries.
3. Funding: This is the conversion of short term government securities to long termsecurities.

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 eg if there is inflation, the short term securities may be converted to long term securities.

# EVALUATION

1. Define Central Bank.

1. Describe five instruments used by the Central Bank to control money supply.

NIGERIA DEPOSIT INSURANCE CORPORATION

The NDIC role is to administer the deposit insurance system in Nigeria and protect depositors.

The Corporation provides incentives for sound risk management in the Nigeria banking system and promotes as well as contributes to the stability of the financial system.

FUNCTION OF NIGERIA DEPOSIT INSURANCE CORPORATION

Section 2b of the Nigerian Deposit Insurance Corporation Act of 2006 stipulates the function for the corporation as follows:

1. Issuing all deposit liabilities of licensed banks.
2. Giving assistance to insured institutions in the interest of deposit in case of imminent.
3. Guaranteeing payment to depositor
4. Assistance monetary authoritiesd in formulating and implementing policies so as to ensure sound banking practicing and fair competition.
5. Pursing any other measures necessary to achieve the function of the corporation provided measures.

# EVALUATION

1. Give four functions of the central bank of Nigeria.

1. Write short note on i) Cash ratio ii) special deposit

MONEY MARKET

Money market is a market where short term securities are traded in. The market consistsof institutions or individuals who either have money to lend or wish to borrow on a short-term basis.

# INSTRUMENTS USED IN THE MONEY MARKET

1. Treasury Bill – This is issued by the central Bank. It enables the government to raise capital for ninety days.
2. Treasury Certificate – is also a means by which the government raises short – term loans. Unlike a treasury bill, however, a treasury certificate falls due for repayment in twelve to twenty-four months. Because of its longer maturation, it earns a higher rate of discount than the treasury bills
3. Bill of Exchange – This is a promissory note where the debtor acknowledge his debt and intend to pay within ninety days (90days).
4. Call money Funds – The surplus are often invested through a special arrangement in which participating institutions invest surplus money for their immediate requirement on an overnight basis with the interest and withdrawal on demand. This enhances the liquidity of the money market. INSTITUTIONS INVOLVED IN THE MONEY MARKET

i. Central Bank ii. Commercial Banks iii. Acceptance House iv. Finance House

v. Discount House vi. Insurance companies

FUNCTIONS OF MONEY MARKET

1. Money market helps to provide capital (working capital) for day to day running of thebusiness.
2. Through investing in call money extra income generated.
3. Money market helps to mobilize savings.
4. Money market helps to promote economic growth and development
5. It enhances good saving habit by those having surplus funds
6. Money invested in the money market are very easy to recall

# EVALUATION

1. Write a short note on Money market Treasury bill Call money
2. Outline the functions of money market.

CAPITAL MARKET

Funds are needed by entrepreneur, government and business firm on a long term basis.

Money market cannot provide these needed funds. Hence Capital Market bridges this gap.

Capital Market is a market where long term securities are traded.

INSTRUMENTS USED IN CAPITAL MARKET

Securities such as shares, stocks, development stock, bond, debenture

* 1. Share- is a unit of capital measured by a sum of money which is an individual portion of the company’s capital owned by a shareholder. It is a means of raising long-term loans for company through the Stock Exchange Market.
  2. Stock- is the bundle of shares or mass capital which can be transferred in fractional amounts. Stocks are always fully paid, for example stocks can be quoted per N100 nominal value. They are collections of shares into a bundle. Stocks are not issued but converted from share issued.
  3. Development Stock- is a debt instrument through which governments get long-term loans or borrowing for a period of up to five years and above.
  4. Bond- is an interest bearing or discounted government or corporate security that obliges the issuers to pay the bondholder a specified sum of money annually at specific intervals and to repay the principal amount of the loan at maturity.
  5. Debenture- is an instrument or a loan certificate for raising a long-term loan from the public by a limited company. A debenture is a debt and a debenture holder is not a co-owner of the business but a creditor.

INSTITUTIONS INVOLVED IN CAPITAL MARKET

i. Issuing houses ii. Insurance companies iii. Development Banks iv. Building Societies

v. National Provident Fund (NPF) vi. Stock Exchange

FUNCTIONS OF CAPITAL MARKET

1. Capital market provides long term loan purpose of investment.
2. Capital market serves a forum through which public sector takes part in running of theeconomy.
3. Capital market helps to mobilize savings for investment purpose.
4. It provides means through which merchant banks can grow and develop.
5. It gives opportunity to the general public to participate in the running of the economyof the country.

# EVALUATION

1. What is capital market? Mention any three securities traded in the stock exchange.
2. Outline three functions of capital market.

# GENERAL EVALUATION

1. Highlight four objective of price control.
2. Explain the concept of of diminishing marginal utility.
3. What are those factors that can determine the size of a firm.
4. Define Labour as a factor of production.
5. Explain five characteristics of Labour.

**WEEK EIGHT**

**INTERNATIONAL TRADE I**

# CONTENT

1. Definition and Types (Bilateral and Multilateral)
2. Reasons for International Trade
3. Barriers of International Trade
4. Difference between Domestic and International trade.

One way by which we live better on earth today is because international trade permits national, regional or territorial division of labour to be practiced. International trade also known as foreign trade or external trade involves the exchange of goods and services between two or more countries.

TYPES OF INTERNATIONAL TRADE

There are two major types of international trade. These are:

1. Bilateral International Trade – Bilateral international trade is a trade agreement in which two countries exchange goods and services.

1. Multilateral International Trade – Multilateral international trade is a type of trade in which a country trades with many other countries. E.g. Nigeria trades with the USA, Britain and Japan.

REASONS FOR INTERNATIONAL TRADE

1. Uneven distribution of natural resources. While some countries are naturally blessed,others have little or no natural resources.
2. Differences in Climatic Condition – This variation gives rise to growth of differentcrops, hence the need for exchange.
3. Differences in Technology – Some countries with advanced technology can producesome industrial product at reduced cost and sell to the less developed countries.
4. Expansion of market for product.
5. Desire to improve the standard of living

# EVALUATION

1. What is Foreign Trade?
2. Give five reasons for international trade.

BARRIERS OR PROBLEMS OF INTERNATION TRADE

1. Language problem
2. Problem of distance
3. Numerous documents
4. Differences or fluctuation in currency
5. Tariff – This makes imported goods more expensive.
6. Religion and cultural differences.
7. Artificial barriers e.g. ban, quota, or the use of license
8. Transport and Communication problem.
9. Government policy.

DIFFERENCE BETWEEN DOMESTIC AND FOREIGN TRADE

1. Common language is spoken in Domestic trade while in Foreign trade requiresknowledge of new language.
2. There are differences in system of weighing and measuring in one country vis-à-visanother. A country has only one system of such weigh and measuring.
3. Differences in transport cost due to distance between buyers and sellers,documentation requirement, need for insurance in respect of foreign trade distinguish foreign trade from home trade.
4. There are also differences in legal systems and culture under international trade butthe legal system are the same in domestic trade.
5. In foreign trade, buyers and sellers use different currencies whereas buyers andsellers in home trade use the same type of currency.
6. There is possibility of restriction – tarrifs, import duties, export duties quotaembargoes – when goods are exchange across national boundaries while this does not occur in home trade.

# EVALUATION

1. In what ways is foreign trade different from domestic trade (WASSCE) June 2003.
2. Explain five ways Nigeria will benefit from trading with Britain.

# GENERAL EVALUATION

1. Describe four problems of barter system.

1. What is perfect competition?

1. Differentiate between creeping inflation and hyperinflation.

1. What is competitive supply?

1. Differentiate between direct tax and indirect tax.

# WEEKEND ASSIGNMENT

1. International trade and domestic trade are similar in all aspect except that………….

A. Transportation by land, water and air is involved B. Goods are exchanged

C. Services are exchanged D. The same currency is used as medium of exchange

E. Specialization and increased consumption is encouraged.

2. International trade is necessary mainly because………………

A. no country can live in economic isolation B. different countries are endowed with the same natural and man-made resources C. some countries have comparative cost advantage in the production of certain commodities D. the world demand for and supply of various categories of commodities is expanding very fast. E. Countries want to build up their foreign exchange reserves.

3. International trade takes place because of differences in …… A. production cost

B. language C. currency D. government policy D. international boundary

4. The instrument used in many countries to restrict imports include: A. high tariff

B. price index C. exercise duties D.bank rates E. subsidies

5. The exchange of goods and services across different countries can be described as ………… A. Bi-lateral trade B. multilateral trade C. national trade D. home trade

# THEORY

1. State five benefits of international trade.
2. Outline five obstacles to effective trade among countries in the world.

**WEEK NINE**

**INTERNATIONAL TRADE II**

# CONTENT

1. Advantages and disadvantages of international trade.
2. The law of comparative (cost) advantage.
3. Instruments of trade protection.
4. Reasons for trade protection.

International trade has enormous advantages among which are:

1. International trade generates the exchange of goods and services among the nationsof the world to mutual advantages of all participating countries.
2. Promotion of economic development.
3. International trade provides employment opportunities.
4. It enhances international specialization.
5. It leads to increase in world output.
6. International trade promotes friendship among nations of the world.
7. International trade increases the standard of living.
8. It fosters – equitable distribution of national resources.
9. Countries are able to acquire skills and ideas.

DISADVANTAGES OF INTERNATIONAL TRADE

1. International trade can lead to dumping of goods into less developed countries bymultinational companies from the developed nations.
2. This development above affects infant industries adversely.
3. International trade if not checked can destroy the cultural values of a country. E.g useof mini skirt from America is anti-cultural and against our social norms.
4. Through international trade, harmful or dangerous goods can be imported into acountry by unscrupulous business men.
5. Deficit may arise, which affects the country adversely.
6. Where dumping is highly prevalent, it may lead to unemployment.
7. Reduction of effort to attain self-reliance.
8. The developed countries may use their position to exploit the less developed ones.

# EVALUATION

1. State five advantages of International Trade.
2. Give four arguments against International Trade

LAW OF COMPARATIVE COST ADVANTAGE

The theory or principle of comparative cost advantage states that countries derive mutual benefit from trade when they specialize in the production of those commodities in which they have greatest comparative cost advantage over others and exchange them for other commodities which have comparative cost disadvantage.

A country has a comparative advantage over others in the production of a commodity in which it has the lowest opportunity cost than others. Therefore, it is the real cost of producing a commodity (in terms of other commodities forgone) that is taken into consideration. This theory was propounded by David Ricardo in the 19th century.

ASSUMPTIONS OF THE PRINCIPLE OF COMPARATIVE COST ADVANTAGE

This principle or theory is based on the following assumptions:

1. There are only two countries.
2. Only two items are produced with the available resources.
3. There is free flow and mobility of factors of production.
4. There is no transport cost
5. Constant costs prevail.
6. Technology is constant.
7. Labour is the only factor of production.

In line with the above assumptions, Nigeria and the United States of America (USA) for example, are producing and consuming rice and wheat. The pre-specialisation production position is shown in schedule A below.

Schedule A Rice Wheat

Nigeria 100 bags 50 bags

USA 50 bags 100 bags

TOTAL 150 bags 150 bags

Schedule B is an estimated opportunity cost of producing the two commodities by the two nations.

Schedule B

Rice Wheat

Nigeria 50 = ½ i.e. 100 = 2 i.e.

1. 50

1 bag of rice = ½ 1 bag of wheat bag of wheat bags of rice

Rice Wheat

USA 100 = ½ 50 = ½ i.e.

50

1 bag of rice 2 bags 1 bag of wheat ½ bag of rice.

of wheat

By the Law of Comparative Cost Advantage. Nigeria should specialize in the production of rice while USA should specialize in the production of wheat.

THE PRINCIPLE OF ABSOLUTE ADVANTAGE

The principle of absolute advantage was propounded by Adam Smith and it states that a country should specialize in the production of a commodity or commodities and services in which it has absolute advantage over other countries. According to Adam Smith, a country has an absolute advantage over other countries if she can produce a commodity or service which other countries cannot produce. Again, given the same unit of resources, a country has absolute advantages where she can produce the two commodities concerned at the least cost.

# EVALUATION

1. Using the United States of America and Nigeria as an example, show how the twocountries will gain by specializing and trading on the basis of the theory of comparative cost advantage (NECO June, 2003).
2. Outline five assumptions of the theory of comparative advantage.

INSTRUMENTS OF TRADE PROTECTION

The government of any country control or restrict trade through the following instrument.

1. Import duties or tariffs: This is a tax imposed on imported goods to reduce theamount of trade.
2. Foreign Exchange Control: This is the control that is exercised by the state, andusually through the Central Bank on all dealings, in gold and foreign exchange i.e. foreign currencies.
3. Import licensing – Under import licensing, no commodity may be imported except onthe basis of individual licences issued by the government of a country.
4. Devaluation – This is a deliberate reduction in the value of a country’s currency interms of the values of the currencies of other countries of the trading world. Devaluation is used as a tool of correcting an imbalance in a country’s balance of payments.
5. Quota – An import quota is a quantitative restriction imposed on commodities enteringa country for a specified period of time.
6. Embargo – This is the prohibition or outright ban placed on some imported goods.

REASONS FOR TRADE PROTECTION

The following points are advanced in support of trade protection.

i. Maintenance of full employment at home. ii. Protection of infant industries.

iii. Development of import substitutes at home iv. To correct or remove any imbalance in Balance of payment Account.

v. To raise revenue e.g. tax vi. Prevention of dumping. vii. Prevention of harmful and non-essential goods. viii. Government may protect trade for strategic reasons – e.g. in retaliation against a foreign state.

# EVALUATION

1. What are the arguments for protection in international trade?
2. Mention any five instruments of Trade protection.

# GENERAL EVALUATION

1. What is Crop farming?

1. Outline any four measures that can be adopted to increase crop production.

1. Highlight five differences between public limited liability company and private limited liability company.

1. Define specific duty.

1. What is a normal channel of distribution?

# WEEKEND ASSIGNMENT

1. Which of these does not relate to the law of comparative advantage?
   1. the law of comparative advantage was propounded by David Ricardo B. the lawstresses the importance of relative efficiency. C. in order to specialize a country must have absolute advantage D. the principle if followed, should increase total world output.
2. Devaluation means A. reduction in the value of the national currency B. areduction in the purchasing power of foreign currencies C. a reduction in the value of domestic currency relative to foreign currencies D. a decrease in the purchasing power of foreign currencies.
3. Dumping in economics means the selling of goods in a foreign market ………….
   1. at a price below that received in the home market B. at a price that receive in thehome market C. at a price equal to the cost price in the home market D. in order to encourage indigenous producers E. at a price equal to selling price in the home market.
4. Foreign Exchange control in Nigeria is enforced by the ………….
   1. Commercial banks B. Merchant banks C. Mortgage bank D. Central bank

E. Agricultural Development Bank

1. Exchange Control is a weapon used in regulating …………. A. Internal trade B.stock exchange C. Foreign trade D.barter trade E. exchange of per sound property

# THEORY

1. Why do countries impose restrictions on international trade?
2. Justify government restriction of trade with foreign countries.

**WEEK TEN**

**DEFICIT BALANCE OF PAYMENT**

# CONTENT

1. How to finance deficit balance of payment.
2. Devaluation of currency – meaning and effect.
3. Economic Integration – definition, objective and problems.
4. Balance of trade definition and measurement.
5. Terms of Trade – definition and measurement.
6. Balance of payment (current A/c, capital A/c and monetary movement A/c).

BALANCE OF TRADE

Balance of Trade – This is the comparison of a country’s total visible exports with her total visible imports. When visible exports with her total visible imports in monetary terms are equal we have Balance of Trade. A positive or favourable Balance of Trade – means that a country is exporting more in monetary terms than it is importing while a negative or unfavourable balance of trade means that a country is importing more in monetary terms than it is exporting.

BALANCE OF PAYMENT

Balance of payment may be defined as a statement or record showing the relationship between a country’s total payments to other countries and its total receipts from them in a year. A country’s Balance of payment is grouped into three parts.

1. Current Account
2. Capital Account
3. Monetary movement Account
4. Current Account: The Current Account is made up of receipts and payments forvisible and invisible services. The visible comprises tangible products such as cars, computer, clothing materials, electronics etc. While the invisible services are: insurance, banking, transport, interest payment and tourism.
5. Capital Account: For a country to set up business in other countries, and for othercountries to set up business in its country, there is need for inflow and outflow of capital both in long and short term; this is contained in the capital account. This is in the form of investments, loans and grants.
6. Monetary Movement Account: There is need for differences in Current Account andCapital Account to be settled. This is done in the monetary movement Account.

# EVALUATION

Write short note on (a) Balance of trade. (b)Balance of payment.

TERMS OF TRADE

Term of trade is the rate at which a country’s export is exchanged for her import. It is expressed as arelationship between the prices a country receives for its exports and the prices it pays for import.

Terms of Trade (TOT) = Index of import price x 100

Index of import price1

The terms of Trade are favourable if the average price of exports is higher than the average price of imports. The terms of Trade are unfavourable, if the average import price is higher than the average export price, which results in more expensive import than exports and this situation makes the Terms trade to deteriorate. When the Terms of Trade are unfavourable, the index is less than 100. This will reduce the real national income.

Example

A country’s import price index by 1995 was 50 and her index of export prices was 70. Calculate the terms of trade (UME) 2000.

Solution

The index of Terms of trade;

Price index of visible exports x 100

Price index of visible imports 1

Workings

Substitute= 70 x 100 = 140%

50 1

The Balance of payment of a country can either be favourable or unfavourable, in most cases it could be balance. A country’s Balance of payment is said to be favourable when the receipts from invisible and visible export trade becomes greater than payment to other countries on invisible and visibleimports. A credit balance can be used to increase investment or to add to a country’s gold reserve.

In other hand, unfavorable balance of payment is said to occur when the payments on visible and invisible import is greater than receipts on visible and invisible exports. This is also known as adverse or deficit balance.

HOW TO FINANCE DEFICIT BALANCE OF PAYMENT

Different Options opened to a country seeking to correct her adverse balance of payment. The following options could be considered;

1. A country can borrow from foreign financial institutions e.g. World Bank, Paris Club.
2. Assistance could be sought from international financial institutions
3. Foreign investment could be disposed off to offset the debt (if any).
4. Gold could be exported (if any).
5. The national economy could be deflated through monetary and fiscal measures.
6. Import substitution – This could be in form of curtailment of imports and exportstimulation.
7. The country’s currency could be devalued, this would encourage export anddiscourage import.
8. Gifts and aids from friendly countries can be used to settle the indebtedness.
9. The interest rates can be raised to encourage inflow of foreign capital.
10. Export promotion.

# EVALUATION

1. Suggest any five ways a country can finance Deficit Balance of Payment.
2. Distinguish between favourable and unfavourable Balance of Payment

DEVALUATON OF CURRENCY

A country devaluation of currency is a deliberate policy through which the value of one country’s currency is reduced in relation to other country’s currency. It can also be defined as a fall in the exchange value of a country’s currency in relation to the currencies of other countries.

EFFECTS OF DEVALUATION OF CURRENCY

1. The exports of the country whose currency is devalued becomes cheaper.
2. As a reverse to the above, the import too becomes expensive.
3. Since the exports become cheaper, more would be sold abroad.
4. Balance of payment improvement – as said earlier, when more are sold abroad,foreign exchange accruing to the nation can be used to improve the Bop of the nation.
5. There is increase in number of industries which will lead to increase in employment.

**CONDITIONS IN WHICH DEVALUATION CAN IMPROVE A COUNTRY’S BALANCE OF**

# PAYMENT

1. The demand for import must be elastic. Increase in prices of imports, as a result ofdevaluation will lead to fall in demand for import.
2. The country’s export must be elastic i.e. It should be able to response to foreigndemand.
3. Other countries must not devalue their own currencies.
4. There must be no increase in wages and other incomes.

MATHEMATICAL APPROACH TO CURRENCY DEVALUATION

The rate at which a country exchanges her currency for other countries currencies is known as “Exchange rate”.

Example I

Assuming that Nigeria in willing to buy or sell cocoa at ~~N~~800 per ton and the USA is willing to buy or sell at $100, then the value of the two currencies can be fixed as ……….. ~~N~~800 = $100

~~N~~8 = $1

Example II

If the exchange rate of naira to dollar is as follow:

If Nigeria devalues her Currency by 100%, the new exchange will be …. If formerly

~~N~~100 = $1

= 100 x 100 = ~~N~~100

100 x 1

~~N~~100 +~~N~~100 = ~~N~~200

Hence ~~N~~200 = $1

# EVALUATION

1. State five effects of currency devaluation.
2. Illustrate how currency devaluation can help to correct adverse balance of payment.

ECONOMIC INTEGRATION

Every country in the world strives to achieve economic growth and development. This is better achieved when countries pull their resources together to achieve greater efficiency. This give rise to Economic Integration. Economic integration may be defined as a form of international cooperation among nations to foster their economic interests. A good example of an economic integration in Africa is the Economic Community of West African

States (ECOWAS). Other economic integration includes: European Economic Community (EEC), African Development Bank (ADB), the Chad Basin Commission, InternationalMonetary Fund (IMF).

OBJECTIVES OF ECONOMIC INTEGRATION

The following are the objectives of Economic Integration:

1. To enlarge market that will encourage large scale production.
2. Economic integration enhances efficiency that reflects in production units.
3. It enhances greater resources mobility.
4. To encourage specialization among countries coming together.
5. To empower each country to participate effectively in the World market.
6. To create job opportunities.
7. To improve the living standard of member nations.
8. To accelerate economic development in the region.

FORMS OF ECONOMIC INTEGRATION

1. Free trade area.
2. Common Market
3. Economic union e.g. ECOWAS
4. Customs union

PROBLEMS OF ECONOMIC INTEGRATION IN WEST AFRICA

1. The smaller countries always nurse fear of big countries’ domination.
2. The formula to adopt in sharing the revenue generated by the groups often generatemore heat than light.
3. Differences in economic and political ideology often make the countries to disagree.
4. Member nations speak different languages. This slows down decision making.
5. Member nations are unwilling to surrender their sovereignty to bigger countries.
6. Frequent changes in government of member nations often affect decision making.
7. Some of the members of economic union e.g. ECOWAS are still tied to the apron oftheir colonial masters.
8. Inadequate capital – e.g. ECOWAS cannot meet their plan due to the fact that somecountries within the union could not pay their subscription.

# EVALUATION

1. Define Economic Integration.
2. State any five objectives of Economic Union.
3. Outline any five problems facing Economic Integration.

# EVALUATION

1. What is Current Account Balance?
2. Study the following information carefully and use it to answer questions. As a result of the improvement in terms of trade of two of a country’s major export commodities, the totalforeign exchange receipts increased by over 10% above that of the previous years, 1997. Nevertheless, thiswas not sufficient to balance the country’s current account. The government therefore took a shortterm loan of $100 million from the international Monetary Fund (IMF).

The following table summarizes the position of the country at the end of 1998

Export ($ million) Imports ($ million)

Minerals 640 Machines 560.50

Timber 146.50 Spare parts and accessories 280.00

Shipping and 55 Pilgrimage 220.00

Air transport Oil and Lubricants 150.00

Cocoa 240.50 Food, Tobacco

Tourism 105.20 and drink 360.50

Calculate the balance of trade.

Compute the balance on the invisible account.

What is the value of the balance on capital accounts?

What was happening to the prices of country’s major exports?

# GENERAL EVALUATION

1. What is Trade Union?

1. Describe any four functions of Trade Union.

1. What are Infant Industries?

1. Outline four objectives of price control policy.

1. Describe three functions of money.

# WEEKEND ASSIGNMENT

1. The rate at which a country’s export is exchanged for her import is known as ………..

A. Terms of Trade B. Balance of Trade C. Current balance D. Visible balance

1. Invisible trade refers to trade in ……… A. services B. good and services C.tangible goods D. short term and long term capital E. capital goods that cannot be seen
2. Balance of Trade can be defined as ………. A. the value of imports in relation to thevalue of a country’s exports B. the price ratio of imports as against that of exports. C Equality in the total receipts and payments of a country in a year D. percentage value of imports over percentage value of exports E. price of exports versus prices of imports.
3. A summary of all the receipt and payment of a country in international transacts iscalled..…… A. Terms of trade B. Balance of payment C. Balance of payment adjustment

D. Capital Account

1. Invisible trade refers to trade in………… A. services B. goods and services C. tangible goods D. Crude oil

# THEORY

1. If the united kingdom buys gold for ₤60 ounce and Nigeria buys the same ounce forN500, what will be the United Kingdom’s exchange rate with Nigeria.
2. Distinguish between Balance of Payment and Balance of Trade.