SS 3
FIRST TERM NOTES ON ECONOMICS

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FIRST TERM

WEEK 1

Economics SS 3, First term

Introduction to the Economic Status of the Asian Tigers, Japan, Europe and America

The ***Asian Tigers*** which is comprised of four countries in South East Asia- Hong kong, Taiwan, South Korea and Singapore- have over the years become the fastest growing economies as well as and some of the strongest economies in the world. These countries have been hailed as models of development for other emerging economies. The main factors argued for their growth are mainly high saving rates and investment rates, outward orientation, factor productivity macro discipline, and other public policies. Currently, the Asian Tigers rank in the same status as the United States of America and most Western/Northern European countries; in terms of industrialization and economic advancement that is. The imperative question therefore is- what is responsible for these measured economic advancements and what can African countries (most especially Nigeria) learn from these countries?

The Economic History of the Asian Tigers and Japan (1960s-2000s)

South Korea: In the 1960s, South Korea's gross domestic product (GDP) per capita was comparable with the poorest countries through Asia and Africa. However, in the following four decades, the country experienced considerable growth, affected in part by a system of close government, directed credit and import restrictions. As of December 2015, the country has a total GDP of $1.4 billion and a per capita GDP of over $35,000, with a growth rate of 3.3%.

Taiwan: Despite its contentious relationship with China, Taiwan has thrived over the last four decades, and it boasts a per capita income of over $45,000. Although the country is not part of the United Nations, due to pressure from China, it still maintains a strong showing as an exporter, and its GDP is over $1.1 trillion, making this nation of 23.4 million people one of the strongest economies in Asia.

Hong Kong: Considered to be a special administrative region in China, Hone Kong has freedom over all of its activities, aside from defense, until 2047. At that point, the relationship between Hong Kong and China will again be assessed. The country ranks extremely high on scales measuring economic freedom, and as of 2015, it boasts a per capita GDP of over $36,000, 286% of the world's average.

Singapore: Although it has only 5.5 million citizens, Singapore has a GDP of $452.7 billion or a per capita GDP of $82,762. Considered one of the least corrupt nations in the world, the country has a transparent regulatory environment and well-secured property rights, which provide commercial security to the private sector.

Review of the Development Strategies employed by Developed Nations: Focus on the Asian Tigers

Having briefly looked at the the history of the Asian Tigers and how they were able to successfully transform their economies from third world to first world, it is imperative [therefore] for us to also examine some of the development strategies that enabled them accomplish what they have been able to accomplish. Read on below-

They skilled up the Labour Force: In the 1960s these nations were poor and had abundance of cheap labour. This excess labour was absorbed by labour intensive industries. Eg in 1965 Korea industry sector only employed 9.4% as opposed to 21.6% in 1980 yet agriculture employment fell from 58.6% to 34% over the same period. The excess labour was transformed into productive workforce through the education reform and yet remained competitively cheap. The focus was placed on education at all levels, all children attending elementary education and compulsory high school education. Money was also spent on improving college and university system.

They accumulated Capital: With respect to physical capital, the reasons can primarily be traced to the high savings rates. Policies also probably played a significant role in increasing the investment rate of the economy (High savings rates do not automatically translate into high domestic investment rates but nevertheless, the high savings rates have led to high domestic investment rates in

Taiwan for example).As much as capital accumulation was key to the growth of these countries, capital productivity (recall labor transferred to industrial sector was accompanied with education reforms to add to its productivity) was essential. Capital productivity was attained through adopt foreign knowledge and technology. The technological catch up coupled with capital accumulation was significant to the Asian tiger's growth.

They employed Outward-oriented strategies/policies: The more rapid growth can be growth can be associated with much greater openness. Both exports and imports grew about twice as fast in the Asian economies as they did in Latin America. Asian economies maintained much high ratios of exports and imports to GDP. In Hong kong and Singapore, openness was achieved by ending all restrictions on imports and giving free rein to the export sector. In Japan and Korea, and Taiwan, trade barriers were initially during the early 1970s however, the tariffs were gradually reduced. Among the tactics used in different countries were: exchange rate policies to favor exporters, export incentives, and selective tariff protection; financial repression, slowing financial sector development and consumer lending to provide cheap financing to industry – for exports, and for key industries; a high level of consultation between bureaucrats and business – both individual companies and industry groupings.

Slow Population Growth Rates: This played a great role in reducing family sizes (dependency ratios), creation of an educated labour force, accumulation of household and government savings, rise in wages and impressive growth of investments in manufacturing technology. 1965 each of the Asian tigers established family planning programmes and as a result fertility declined. Emphasis was also placed on civil education, increasing the rate of entry of women into the workforce and education sector; leading to delayed marriages. By 1995, the average fertility level was an average of two children per family (couple). Compare it with the Uganda's current fertility rate of 6.7 births per mother. Smaller families produced 3 major demographic changes; slowed growth in the number of school-age children, a lower ratio of dependants to the working age adults and a reduced rate of labour force growth.

Knowledge driven economy: It was realized that there is need for research and development if a country was to grow to economic maturity. The Asian Tiger governments committed to improving research and development. E.g. in Malaysia the research activity was/is determined by the needs of the industry including the needs of Small & medium industries. Even in these countries, the skills focus was professional and managerial occupational skills, research skills, professorship skill and technical skills. The industries became knowledge driven industries and e.g. in Singapore gradually 2 out of 3 jobs were for knowledged and skilled workers in manufacturing sector and 3 out of 4 of the export services sector. Investment in Research & Development meant that evidence advised policymaking in these countries.

Effective and stringent Public Policies: This consisted of credible macro economic policies that kept inflation low, interest rates low, fiscal policies that focused on raising saving rates and investment rates, as well as policies that enhanced the development of infrastructure. These factors consequently promoted private investment and growth. For example, in Singapore despite the lack of natural resources and the absence of a large domestic market, high growth rates and eventually development were realised. This remarkable success has been attributed largely to sensible and effective policies and the early attention paid to Singapore's infrastructure

Pegging performance to milestones: Much has been written about pegging remuneration to performance in the business world. The unique feature of the Singapore system is that public service remunerationwas pegged to performance which was benchmarked against the milestones that hadbeen agreed upon by the agencies and the parent ministries. At the highest levels, political office holders and senior public servants had their salaries pegged to economic performance and the salaries of the top echelons of a group of key professional classes. At the lower levels, compensation was pegged against performance against milestones.

Quality and standardization: Emphasis was placed on production of high quality standardized goods that would compete at the global level. Experts on Standardisation and quality assurance were brought in from Japan, US and UK.

ASSESSMENT

- Which countries comprises the ‘Asian Tigers’?

WEEK3

Economics SS 3, First term

What is Human Capital Development?

Human Capital Development has to do with measuring the economic value of employees' skill sets. This measure builds on the basic production input of labour measure where all of the labour force is thought to be equal. The concept of human capital recognizes that not all labor is equal and that the quality of employees can be improved by investing in them; the education, experience and abilities of employees have economic value for employers and for the economy as a whole. Human Capital is also asserted to be the most important element of success in business today. Developing human capital requires creating and cultivating environments in which human beings can rapidly learn and apply new ideas, competencies, skills, behaviors and attitudes.

Factors that affect the Efficiency of Human Capital

Competences: The abilities an individual has and his/her capability to expand upon them can help him or her create a positive gain in human capital. Competences are more than just skills because employees have the power to gain new knowledge and generate new skills with training. The sharing of competencies does not make them scarcer; instead, the opposite effect occurs. For example, a doctor can gain a level of human capital with training and education, but then develops a greater gain in human capital over time with continued practice and experience. In addition to formal education, a worker can increase her human capital at work, through different experiences and with training. Indeed, economic growth depends on the abilities of workers to gain new competences through education and training.

Knowledge: One of the most important factors in the development of human capital is knowledge. However, knowledge is only effective when an individual receives an education that does not include incompetent teachers, outdated materials and teaching methods that do not cater to the needs of the student.

Education is an investment in human capital, and everywhere who have higher education also have the opportunity to earn a higher income. Knowledge can help an individual further increase his competences. When combined with empathy, knowledge can also help generate goodwill, another human capital asset that is intangible.

Organizational Development: A company that invests in its employees also places an investment in human capital. When employees receive the tools, support, structure and knowledge needed, they can increase their human capital and adapt better to the changes in their respective industries. Organizational development helps employees strive for a similar goal, create an environment of collaboration and trust and improve problem-solving techniques. Organizational development is an ongoing process that a company can use to create gains in human capital and positive employee development.

Risk: Human capital risks can begin with the influence of families. Becker states that parents can affect a child's level of education, habits, values, work habits and motivation to do well. However, risks in human capital can also happen when a company operates below industry standards. These risks may occur when a company does not meet employee needs or provide the tools necessary to increase productivity. Other risk factors include employee absences, constant group activities that hinder productivity and activities that cause poor work quality or errors.

Distinguishing between Human Capital and Physical Capital

A ***Capital*** is the lifeblood of any corporation. It what makes it possible for a business to maintain liquidity while growing operations. In business, capital is generally used to refer to physical assets. It is also used to refer to the means in which companies obtain physical assets. Cash, real estate, equipment and inventory are examples of physical capital. Physical capital values are listed in order of solvency on the balance sheet. The balance sheet provides an overview of the value of all physical and some non-physical assets. It also provides an overview of the capital raised to pay for those assets, which includes both physical and human capital.

Human capital is represented by more than the company brand. MTN is not MTN because it has a yellow brand colour is located in both South Africa and Lagos, Nigeria. The value of MTN is in its ***human capital***. Human capital includes the knowledge base of the employees and is often measured by the quality of the product. It also refers to the network of the employee base and the general level of influence they have on the industry.

Human Capital is the Intangible Asset!

Physical capital is recorded on the balance sheet as an asset at historical cost, not market value. As a result, the book value of assets is generally higher than market value. Accountants refer to physical capital as a tangible asset. Intangible assets are non-physical capital. A balance sheet only lists intangible assets when they have identifiable values. Intangible assets can’t be touched, but they are often represented by a legal document or paper.

Examples of intangible assets include intellectual property such as brands, patents, customer lists, licensing agreements and goodwill. Goodwill is created when one company acquires or purchases another and the purchase price is more than the physical assets being purchased. The difference is recorded as goodwill and one of the largest components of goodwill is human capital. In fact, goodwill is one of the only places where an analyst can find a value for human capital on the balance sheet.

The Value of Human Capital vs. Physical Capital

Unlike physical capital, which is easy to find on the balance sheet and in the notes to the balance sheet, the value of human capital is often assumed. In addition to goodwill, analysts can value the impact of human capital on operations with efficiency ratios, such as return on assets (ROA) and return on equity (ROE). Investors can also determine the value of human capital in the markup on products sold or the industry premium on salary. A company is willing to pay more for an experienced programmer who can produce a higher-margin product. The value of

the programmer's experience is captured in the amount the company is willing to pay over and above the market price.
Please note that while human capital can be difficult to measure, the impact of investments in human capital can be measured and analyzed with the same ratios used to measure and analyze the investment performance of physical assets. Investments in physical and human capital both lead to fundamental improvements in the business model and better overall decision-making.

Brain Drain and its Effects on the Nigerian Economy

Brain Drain can be described as the process in which a country loses its most educated and talented workers to other countries through migration. This trend is considered a problem, because the most highly skilled and competent individuals leave the country, and contribute their expertise to the economy of other countries. The country they leave can suffer economic hardships because those who remain don't have the 'know-how' to make a difference. Brain Drain can also be defined as the loss of the academic and technological labor force through the moving of human capital to more favorable geographic, economic, or professional environments. More often than not, the movement occurs from developing countries to developed countries or areas.

Some of the effects of Brain Drain on Nigeria include the following-

- ***Loss of tax revenue***
- ***Loss of potential future entrepreneurs***
- ***A shortage of important, skilled workers***
- ***The exodus may lead to loss of confidence in the economy, which will cause persons to desire to leave rather than stay***
- ***Loss of innovative ideas***
- ***Loss of the country's investment in education***
- ***The loss of critical health and education services***

ASSESSMENT

1. What is Human capital development?
2. What are the factors that affect the efficiency of Human capital?
3. Differentiate between Human capital and Physical capital
4. Define brain drain and list some of the effects.

WEEK3

Economics SS 3, First term

Development of Petroleum Industry

Oil was discovered in Nigeria in 1956 at Oloibiri in the Niger Delta after half a century of exploration. The discovery was made by Shell-BP, at the time the sole concessionaire. Nigeria joined the ranks of oil producers in 1958 when its first oil field came on stream producing 5,100 bpd. After 1960, exploration rights in onshore and offshore areas adjoining the Niger Delta were extended to other foreign companies. In 1965 the EA field was discovered by Shell in shallow water southeast of Warri.

In 1970, the end of the Biafran war coincided with the rise in the world oil price, and Nigeria was able to reap instant riches from its oil production.

Nigeria joined the Organisation of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (NNPC) in 1977, a state owned and controlled company which is a major player in both the upstream and downstream sectors.

Following the discovery of crude oil by Shell D'Arcy Petroleum, pioneer production began in 1958 from the company's oil field in Oloibiri in the Eastern Niger Delta. By the late sixties and early seventies, Nigeria had attained a production level of over 2 million barrels of crude oil a day. Although production figures dropped in the eighties due to economic slump, 2004 saw a total rejuvenation of oil production to a record level of 2.5 million barrels per day.

Current development strategies are aimed at increasing production to 4million barrels per day by the year 2010. Petroleum production and export play a dominant role in Nigeria's economy and account for about 90% of her gross earnings. This dominant role has pushed agriculture, the traditional mainstay of the economy, from the early fifties and sixties, to the background.

Major Events in the history of the Nigerian Oil and Gas 1908 Nigerian Bitumen Co. & British Colonial Petroleum commenced operations around Okitipupa.

1938 Shell D' Arcy granted Exploration license to prospect for oil throughout Nigeria.

1955 Mobil Oil Corporation started operations in Nigeria.

1956 First successful well drilled at Oloibiri by Shell D'Arcy 1956 Changed name to Shell-BP Petroleum Development Company of Nigeria Limited.

1958 First shipment of oil from Nigeria.

1961 Shell's Bonny Terminal was commissioned. Texaco Overseas started operations in Nigeria.

1962 Elf started operations in Nigeria. (As Safrap) Nigeria Agip Oil Company started operations in Nigeria

1963 Elf discovered Obagi field and Ubata gas field Gulf's first production

1965 Agip found its first oil at Ebocha Phillips Oil Company started operations in Bendel State

1966 Elf started production in Rivers State with 12,000 b/d

1967 Phillips drilled its first well (Dry) at Osari –I Phillips first oil discovery at Gilli-Gilli -I

1968 Mobil Producing Nigeria Limited) was formed. Gulf's Terminal at Escravos was commissioned 1970 Mobil started production from 4 wells at Idoho Field Agip started production Department of Petroleum Resources Inspectorate started.

1971 Shell's Forcados Terminal Commissioned Mobil's terminal at Qua Iboe commissioned 1973 First Participation Agreement; Federal Government acquires 35% shares in the Oil Companies Ashland started PSC with then NNOC (NNPC) Pan Ocean Corporation drilled its first discovery well at Ogharefe –I 1974 Second Participation Agreement, Federal Government increases equity to 55%. Elf formally changed its name from "Safrap" Ashland's first oil discovery at Ossu –I

1975 First Oil lifting from Brass Terminal by Agip DPR upgraded to Ministry of Petroleum Resources 1976 MPE renamed Ministry of Petroleum Resources (MPR) Pan Ocean commenced production via Shell-BP's pipeline at a rate of 10,800 b/d 1977 Government established Nigerian National Petroleum Corporation (NNPC) by Decree 33, (NNOC & MPR extinguished).

1979 Third Participation Agreement (throughout NNPC) increases equity to 60% Fourth Participation Agreement; BP's shareholding nationalised, leaving NNPC with 80% equity and Shell 20% in the joint Venture. Changed name to Shell Petroleum Development Company of Nigeria (SPDC) 1984 Agreement consolidating NNPC/Shel1 joint Venture.

1986 Signing of Memorandum of Understanding (MOU) 1989 Fifth Participation Agreement; (NNPC=60%, Shell = 30%, Elf=5%, Agip=5%).
1991 Signing of Memorandum of Understanding & joint Venture Operating Agreement (JOA) 1993 Production Sharing Contracts signed -SNEPCO Sixth Participation Agreement; (NNPC=55%, Shell=30%, Elf= 10%, Agip=5%). The coming on-stream of Elf's Odudu blend, offshore OML 100.
1995 SNEPCO starts drilling first Exploration well. NLNG's Final Investment Decision taken 1999 NLNG's First shipment of Gas out of Bonny Terminal.
2000 NPDC/NAOC Service Contract signed 2001 Production of Okono offshore field. 2002 New PSCs agreement signed. Liberalisation of the downstream oil sector. NNPC commences retail outlet scheme

ASSESSMENT

- Summarize the discussed topic.

Culled from GABRICH GLOBAL SERVICES LIMITED.

WEEK4

Economics SS 3, First term

Manufacturing and Construction: Definition

Manufacturing can be defined as the process of converting raw materials into finished products in ways that meet a customers' expectations/specifications. It typically involves ***mass production*** of similar items even without any known buyer. Moreover, manufacturing can entail any type of product. Manufacturing also commonly makes use of man-operated machines and recognizes the importance of division of labour. It is similar to Construction; hence reason why they are typically associated. Yet, inasmuch as the two are similar, they are still dissimilar in that construction has to do with the construction of buildings and other kinds of infrastructure, typically commissioned for known clients and always taking place on specified locations.

As we can therefore see from the above definitions, construction typically refers to the creation of physical structures such as buildings, bridges or roadways while on the other hand, manufacturing has to do with the production of finished goods which are then sold to distributors, retailers or consumers. They may have similarities, yet, construction and manufacturing are distinct business processes.

Here are a few of the differences between Construction and Manufacturing-

1. Manufacturing involves production on a large scale even without prior commissioning of the products being produced. In other words, unlike in construction where something is constructed for known individuals, manufacturers just produce things at large with the hope of selling them off to customers eventually.
2. Manufacturers typically work indoors (in factories) unlike construction workers who work outside in the open; building houses and bridges etc.
3. Manufacturing is the first step in the conventional distribution channel, which outlines the flow of products from initial development through sale to the end customer. Manufacturers typically sell to distributors, who sell to retailers, who

sell to consumers. Construction on the other hand does not follow this conventional distribution pattern.

4. One of the major distinctions between the two is that whereas manufacturing entails the use of heavy equipment, construction workers typically use more of hand tools.

Their dissimilarities aside however, the fields of construction and manufacturing are two very important sectors of any economy because they employ millions of people and help foster economic growth. Most of the very advanced countries in the world are so advanced because of the vibrancy of their construction and manufacturing sectors. These two fields do not only drive economic growth, but also fosters technological advancement.

Please note that large-scale manufacturing and construction always require collaboration across multiple disciplines. In a manufacturing industry, you will find people from multiple disciplines all of whom work together to ensure that the ultimate business objectives are met. The same applies to construction. On either of these two fields, you will find executive managers, scientists and human resources to casual workers. It is always an integration of people from all works (including health workers) who work together to ensure that the end goals are accomplished.

Manufacturing Processes

Repetitive Manufacturing

This type of manufacturing has very dedicated production lines that turn out the same item, or a closed-related group of items continuously. The speed of operation modulates differences in customer demand. There is also little setup and changeover activity.

Discrete Manufacturing

This manufacturing environment is highly diverse, covering a wide range from few setups and changeovers to frequent setups and changeovers. Products also range from being very similar, or highly disparate.

Job Shop Manufacturing

Job shops rarely have production lines, they have production areas. These areas may assemble only one version of a product, a dozen versions, or even a few dozen. If demand grows, the operation is turned into a discrete line, and selected labor operations can be replaced by automated equipment.

Process (continuous)

These types of operations are analogous to Repetitive; meaning they run 24/7 all the time. The main difference is that production materials are gases, liquids, powders, or slurries. Design considerations are analogous, except the disciplines to create final product and production process are more diverse.

Process (batch)

Batch operations are analogous to Discrete and Job Shop. Sometimes one batch is all it takes to meet demand, and sometimes it takes several batches. In some instances, batch processes can be continuous in nature, making one batch after another of the same product.

TYPES OF MANUFACTURING

Food processing industry: Food processing is an example of a light industry, although food processing can take place on a large scale. It involves the processing of raw materials (e.g. wheat) into foodstuffs (e.g. flour), food preservation and food packaging.

Textile Manufacturing: The clothing and textile industry is one of the oldest manufacturing industries, although it now relies heavily on mechanized textile manufacture. Whereas other industries are confined to certain areas, the production of textile is widespread – due to a number of factors, including demand and availability of raw materials.

Chemical Manufacturing: The chemicals industry is a very significant one in the modern era, since chemicals are required for a myriad of economic activity. The chemical industry is subdivided into three broad categories: heavy chemicals (using mineral deposits or by-products), pharmaceuticals (drugs and medicines) and petrochemicals (chemicals derived from fuel sources)

Hi-tech manufacturing: In the age of knowledge workers and advanced technology, the high-tech industry relies heavily on research and development and is capital intensive. This is a form of secondary industry, since it involves production. It can overlap with other types of manufacturing industries – such as transport and energy for example.

ASSESSMENT

1. Define Manufacturing
2. List and explain the manufacturing processes
3. What are the types of manufacturing?

WEEK5

Economics SS 3, First term

What are Service Industries?

Service industries are typically comprised of companies that primarily earn their revenue through the provision of intangible products and services to clients. In other words, the service industries do not produce any tangible goods. Instead, they precisely offer services in the place of goods. This unique sector is comprised of various companies who are specialized in providing such services as warehousing/truck transportation services, the information sector services; commodities, securities/exchange, education services, healthcare, tourism, hospitality, entertainment etc. These industries are also classified as tertiary sector in that they are far more advanced beyond the agrarian/production levels of commercial activities.

Specific Examples of Service Industries

1. Tourism
2. Transport
3. Banking
4. Insurance
5. Warehousing
6. Advertisement

Contributions of Service Industries to economic Development

Services constitute over 50% of GDP in low income countries and as their economies continue to develop, the importance of services in the economy continues to grow. The service economy is also key to growth, for instance it accounted for 47% of economic growth in sub-Saharan Africa over the period 2000–2005 (industry contributed 37% and agriculture 16% in the same period). This means that recent *economic growth in Africa relies as much on services as on natural resources or textiles, despite many of those countries benefiting from trade preferences in primary and secondary goods. As a result, employment is also adjusting to the changes and people are leaving the agricultural sector to find work in the service economy. This job creation is particularly useful as often it provides employment for low skilled labour in the tourism and retail sectors, thus benefiting the poor in particular and representing an overall net increase in employment. The service economy in developing countries is most often made up of the following:*

- *Financial services*
- *Tourism*
- *Distribution*
- *Health, and*
- *Education*
- *Entertainment*

ASSESSMENT

1. Define service industries
2. List examples of service industries
3. What are some of the contributions of the service industries to economic development?

WEEK6

Economics SS 3, First term

What does Financial Regulation mean?

Financial regulation is a form of supervision of financial institutions which subjects them to always comply with certain requirements, restrictions and guidelines. This is aimed at maintaining the integrity of the country's financial system. Financial regulation can also be seen as the oversight of money markets, brokers, advisors and banks by an agency/agencies of Government which is/are authorised to perform such advisory role. In Nigeria, there are quite a number of such agencies which perform supervisory functions in the financial system as you shall see shortly.

Agencies that regulate the Money Market in Nigeria

- The Central Bank of Nigeria (CBN)
- The Nigerian Deposit Insurance Corporation (NDIC)
- Debt Management Office (DMO) …
- National Insurance Commission (NAICOM) …
- The Federal Mortgage Bank of Nigeria (FMBN) …
- Financial Services Co-ordinating Committee (FSCC) …
- THE MONEY MARKET AND ITS INSTITUTIONS.

The Instruments used in Money Market

- **Treasury Bills:** These are short-term notes issued by the government.
- **Short-Term Tax Exempts:** These are typically issued by agencies of government, or other government or quasi-government body. Most short-term tax exempts are issued by housing agencies for development or urban re newal projects.

- **Certificates of Deposit:** This is a ***savings certificate*** with a fixed maturity date, specified fixed interest rate and can be issued in any denomination aside from minimum investment requirements.
- **Commercial Paper**: This is defined as an unsecured, short-term debt instrument issued by a corporation and typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on *commercial paper* rarely range any longer than 270 days.
- **Bankers' Acceptances**: This is a promised future payment, or time draft, which is accepted and guaranteed by a bank and drawn on a deposit at the bank. The banker's acceptance specifies the amount of money, the date, and the person to whom the payment is due.
- **Repurchase Agreements**: A repurchase agreement is a form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day.

Agencies that regulate the Capital Market in Nigeria

The Central Bank of Nigeria: The CBN was established in 1958 by the CBN Act to carry out the major regulatory objectives of the bank as stated in the CBN Act which are as follows- to maintain Nigeria's external reserves, promote monetary stability and a sound financial environment, as well as act as a banker of last resort and financial adviser to the federal government.

The Securities and Exchange Commission: SEC is the main regulatory institution of the Nigerian capital market. It is supervised by the Federal Ministry of Finance. The Nigerian Stock Exchange (NSE) is privately owned and self-regulating, but the SEC maintains surveillance over it with the mandate of ensuring orderly and equitable dealings in securities, and protecting the market against insider trading abuses.

Nigerian Deposit Insurance Company: The NDIC is a parastatal under the Nigerian Ministry of Finance. The corporation is charged with protecting the banking system from instability occasioned by runs and loss of depositors' confidence. It operates under the Nigeria Deposit Insurance Corporation Act (1990). The NDIC is a member of the Financial Reporting Council of Nigeria. The NDIC complements the regulatory and supervisory role of the Central Bank of Nigeria (CBN), although it reports to the Federal Ministry of Finance. The NDIC advises the CBN in the liquidation of distressed banks and manages distressed banks' assets until they are fully liquidated

Instruments used in Capital Market

- Debt Instruments:
- Equities (also called Common Stock)
- Preference Shares.
- Derivatives.

ASSESSMENT

1. Define financial regulation
2. What are the agencies that regulate the money market in Nigeria?
3. List the instruments used in the money market
4. List the instruments used in the capital market
5. List the agencies that regulate the capital market in Nigeria.

WEEK7

Economics SS 3, First term

Functions of the Central Bank Nigeria

Issuance of Legal Tender Currency Notes and coins: The Central Bank of Nigeria engages in currency issue and distribution within the economy. The Bank assumed these important functions since 1959 when it replaced the West African Currency Board (WACB) pound then in circulation with the Nigerian pound. The decimal currency denominations, Naira and Kobo, were introduced in 1973 in order to move to the metric system, which simplifies transactions. In 1976, a higher denomination note – ₦20 joined the currency profile. In 1984, a currency exchange was carried out whereby, the colors of existing currencies were swapped in order to discourage currency hoarding and forestall counterfeiting. In 1991, a currency reform was carried out which brought about the phasing out of 2kobo and 5kobo coins, while the 1k, 10k and 25k coins were redesigned. In addition, the 50k and N1 notes were coined, while the ₦50 note was put in circulation. In the quest to enhance the payments system and substantially reduces the volume and cost of production of "legal tender notes", the ₦100 and ₦200 notes were issued in December 1999 and November 2000, respectively. Similarly, the ₦500 note was issued in 2001.

Maintenance of Nigeria's External Reserves: In order to safeguard the international value of the legal tender currency, the CBN is actively involved in the management of the country's debt and foreign exchange.

1. **Debt Management:**
   In addition to its function of mobilizing funds for the Federal Government, the CBN in the past managed its domestic debt and services external debt on the advice of the Federal Ministry of Finance. On the domestic front, the Bank advises the Federal Government as to the timing and size of new debt instruments, advertises for public subscription to new issues, redeems matured stocks, pays interest and principal as and when due, collects proceeds of issues for and on behalf of the Federal Government, and sensitises the

Government on the implications of the size of debt and budget deficit, among others. On external debt service, the CBN also cooperates with other agencies to manage the country's debt. In 2001, the responsibility of debt management was transferred to Debt Management Office (DMO).

2. **Foreign Exchange Management:**
   Foreign Exchange management involves the acquisition and deployment of foreign exchange resources in order to reduce the destabilizing effects of short-term capital flows in the economy. The CBN monitors the use of scarce foreign exchange resources to ensure that foreign exchange disbursements and utilization are in line with economic priorities and within the annual foreign exchange budget in order to ensure available balance of payments position as well as the stability of the Naira.

Promotion and Maintenance of Monetary Stability and a Sound and Efficient Financial System: The effectiveness of any central bank in executing its functions hinges crucially on its ability to promote monetary stability. Price stability is indispensable for money to perform its role of medium exchange, store of value, standard of deferred payments and unit of account. Attainment of monetary stability rests on a central bank's ability to evolve effective monetary policy and to implement it effectively. Since June 30, 1993 when the CBN adopted the market-based mechanism for the conduct of monetary policy, Open Market Operations (OMO) has constituted the primary tool of monetary management supported by reserve requirements and discount window operations for enhanced effectiveness in liquidity management. Specifically, liquidity management by the Central Bank of Nigeria involves the routine control of the level of liquidity in the system in order to maintain monetary stability. Periodically, the CBN determines target growth rates of money supply, which are compatible with overall policy goals. It also seeks to align commercial and merchant banking activities with the overall target. The CBN through its surveillance activities over banks and non-bank financial institutions seeks to promote a sound and efficient financial system in Nigeria.

Banker and Financial Adviser to the Federal Government: The CBN as banker to the Federal government undertakes most of Federal Government banking businesses within and outside the country. The Bank also provides banking services to the state and local governments and may act as banker to institutions, funds or corporation set up by the Federal, State and Local Governments. The CBN also finances government in period of temporary budget shortfalls through Ways and Means Advances subject to limits imposed by law. As financial adviser to the Federal Government, the Bank advises on the nature and size of government debt instruments to be issued, while it acts as the issuing house on behalf of government for the short, medium and long-term debt instruments. The Bank coordinates the financial needs of government in collaboration with the treasury to determine appropriately the term, timing of issue and volume of instruments to raise funds for government financing.

Banker and Lender of Last Resort to Banks: The CBN maintains current account for deposit money banks. It also provides clearing house facilities through which instruments from the banks are processed and settled. Similarly, it undertakes trade finance functions on behalf of banks' customers. Finally, it provides temporary accommodation to banks in the performance of its functions as lender of last resort.

Functions of the Nigerian Deposit Insurance Company

The Nigerian Deposit and Insurance Company is vested with the power to perform the following functions-

- Insuring all deposit liabilities of licensed banks and such other financial institutions(hereinafter referred to as "insured institutions") operating in Nigeria within the meaning of Sections 16 and 20 of this Act so as to engender confidence in the Nigerian banking system;
- Giving assistance to insured institutions in the interest of depositors, in case of imminent or actual financial difficulties of banks particularly where suspension of payments is threatened, and avoiding damage to public confidence in the banking system;

- Guaranteeing payments to depositors, in case of imminent or actual suspension of payments by insured institutions up to the maximum as provided for in section 20 of this Act;
- Assisting monetary authorities in the formulation and implementation of policies so as to ensure sound banking practice and fair competition among insured institutions in the country; and
- Pursuing any other measures necessary to achieve the functions of the Corporation provided such measures and actions are not repugnant to the objects of the Corporation.

Functions of the Securities and Exchange Commission

Market Regulation: In regulating the market, the Commission undertakes the following activities in order to protect investors, market operators and also ensure market integrity. Regulation is carried out through deployment of the following tools:

- **Registration** of securities and market intermediaries to ensure that only fit and proper persons / institutions are allowed to operate in the market. Instruments and persons registered in the market are:
- Securities/Commodity Exchanges/Capital Trade Points
- Futures, Options and Derivatives Exchanges
- Depository, Clearing and Settlement agencies
- Capital Market Operators:
    - Issuing Houses
    - Securities dealers/Stock brokers/Sub- brokers
    - Registrars/Transfer agents
    - Trustees
    - Reporting Accountants
    - Solicitors
    - Investment Advisers etc.
- Securities:
    - Equities

    - Debentures
    - Debt instruments
- Collective investment schemes

- **Inspection** either done "onsite" or "off-site". The Commission, at regular intervals, calls for information from capital market operators. It also undertakes and conducts inquiries and audits of any participant in the market whenever necessary.

- **Surveillance** is carried out over exchanges and trading systems to forestall breaches of market rules as well as deter and detect manipulations and trading practices which are capable of causing market disruption.

- **Investigation** of alleged breaches of the laws and regulations governing the capital market and enforcement of sanctions where appropriate.

- **Enforcement** actions are taken against market operators who are found wanting after investigation is carried out, in minor cases, an all parties meeting is convened by the Commission where it mediates between parties involved in a dispute. However, if the case is serious or where no resolution is reached or a party fails to comply with a directive given at the all parties meeting, the defaulting party will be called before the Administrative Proceedings Committee (APC), which is a quasi judicial court, with only civil jurisdiction. Appeals against decisions of the APC are usually made at the Investment and Securities Tribunal (IST). Enforcement action may be in the form of payment of fine, ban, suspension or even forwarding the case to the Nigeria Police Force (NPF), Economic and Financial Crimes Commission (EFCC) or the Attorney – General of the Federation (AGF) where allegations are found to be criminal in nature.

- **Rule making** by the Commission as developments occur. This is to ensure that the Commission meets up with international best practices.

Materials sourced from the following places-

1. ***https://www.cbn.gov.ng/MonetaryPolicy/Function.asp***

2. ***http://ndic.gov.ng/about-ndic-3/mandate-powers-functions/***
3. ***http://sec.gov.ng/about/what-we-do/***

WEEK 8

Economics SS 3, First term

What Is International Trade?

International Trade can be defined as the exchange of products and services between countries. International trade enables consumers and countries to have the opportunity to get to use products and services that are not readily available in their own countries. Almost every kind of product and service can be found on the international market:

1. ***food, clothes***
2. ***Spare parts***
3. ***Crude oil***
4. ***Jewelry, wine***
5. ***Stocks***
6. ***Currencies***
7. ***Water***
8. ***Tourism***
9. ***Banking***
10. ***Consulting and***
11. ***Transportation.***

A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments.

International Trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events. Political change in Asia, for example, could result in an increase in the cost of labor, thereby increasing the manufacturing costs for an American sneaker company based in Malaysia, which would then result in an increase in the price that you have to pay to buy the tennis shoes at your local mall. A decrease in the cost of labor, on the other hand, would result in you having to pay less for your new shoes.

Types of International Trade

1. **Import Trade**: Import trade refers to purchase of goods by one country from another country or inflow of goods and services from foreign country to home country.
2. **Export Trade**: Export trade refers to the sale of goods by one country to another country or outflow of goods from home country to foreign country.
3. **Entrepot Trade**: This form of International Trade refers to purchase of goods from one country and then selling them to another country after some processing operations.

Importance of International Trade

1) It encourages greater variety of products' availability for consumption around the world

2) It makes for efficient allocation and better utilization of resources

3) It promotes efficiency in production

4) International Trade creates ample employment opportunities around the world

5) It makes room for consumption at cheaper cost

6) It reduces Trade Fluctuations

7) It makes for efficient utilization of surplus produce

8) It fosters peace and goodwill

Barriers to International Trade

1. **Cultural and Social Barriers:** A nation's cultural and social forces can restrict international business. Culture consists of a country's general concept and values and tangible items such as food, clothing, building etc. Social forces

include family, education, religion and custom. Selling products from one country to another country is sometimes difficult when the culture of two countries differ significantly.

2. **Political Barriers:** The political climate of a country plays a major impact on international trade. Political violence may change the attitudes towards the foreign firms at any time. And this impact can create an unfavorable atmosphere for international business.
3. **Tariffs and Trade Restrictions:** Tariffs and trade restrictions are also the barriers to international trade. They are discussed below:

- **Tariffs:** A duty or tax, levied on goods brought into a country. Tariffs can be used to discourage foreign competitors from entering a digestive market. Import tariffs are two types-protective tariffs and revenue Tariffs.
- **Quotas:** A limit on the amount of a product that can leave or enter a country.
- **Embargoes:** A total ban on certain imports or exports.

4. **Boycotts:** A government boycott is an absolute prohibition on the purchase and importation of certain goods from other countries. For example, Nestle products were boycotted y a certain group that considered the way nestle promoted baby milk formula to be misleading to mothers and harmful to their babies in fewer development countries.
5. **Standards:** Non-tariff barriers of this category include standards to protect health, safety and product quality. The standards are sometimes used in an unduly stringent or discriminating way to restrict trade.
6. **Anti-dumping Penalties:** It is one kind of practice whereby a producer intentionally sells its products for less than the cost of the product in order to undermine the competition and take control of the market.
7. **Monetary Barriers:** There are three such barriers to consider:

- **Blocked Currency:** Blocked currency is used as a political weapon is response to difficult balance payments situation. Blockage is accomplished by refusing to allow importers to exchange their national currency for the seller’s currency.

- **Differential Exchange Rate:** The differential exchange rate is a particularly ingenious method of controlling imports. It encourages the importance of goods the government deems desirable and discourage importation of goods the government does not want. The essential mechanism requires the importer to pay the varying amount of domestic currency for foreign currency with which to purchase products in different categories. Such as desirable and less desirable products.
- **Government Approval for securing Foreign Exchange:** Countries experiencing severe shortages of foreign exchange often use it. At one time or another, most Latin American and East European countries have required all foreign exchange transactions to be approved by the central bank. Thus importers who want to buy foreign goods must apply of ran exchange permit that is permission to exchange an amount of local currency for foreign currency.

Differences **between Domestic and International Trades**

1. Domestic trade always takes place within the borders of a given country, while international trade always goes beyond the borders of a given country.
2. Domestic trade can never involve more than one country, but international trade always involves two or more countries.
3. Domestic trade, to a large extent involves the use of mainly local currency in trading, whereas international trade involves the use of foreign currencies. The U.S. dollar is the standard currency used in international trade.
4. Domestic trade is free off restriction, so long as it is a legal commodity being traded. Legal and wholesome commodities dealt with in domestic trade can move around the country without facing any forms of restrictions such as embargoes and quotas. But this is not the case for international trade. In international trade, certain goods, though legal, can be subjected to certain restrictions such as embargoes and quotas. There are so many reasons why sometimes commodities dealt with in international trade face certain restrictions. Some of these reasons include the following, in order to protect infant industries within a country, in order to raise the level of employment

within a country, in order to discourage the importation of legal but harmful goods such as tobacco into a country, in order to ensure self-sufficiency, etc.

5. Domestic trade is not subject to being controlled by external bodies, but this isn't the same for international trade. International trade is controlled by certain external bodies to which a country is a member. A very good example of an external body that controls trade all over the world is the World Trade Organization.
6. International trade generally involves very long distances, but this is normally not the case with domestic trade. Take for example a trade between South Africa and Sweden or between New Zealand and Egypt. These trades certainly involve very lengthy distances to be covered. But a trade between any two points in South Africa or Sweden can never be that lengthy.

Advantages and Disadvantages of International Trade

Advantages

(i) Economy in the Use of Productive Resources: Each country tries to produce those goods in which it is best suited. As the resources of each country are fully exploited, there is thus a great economy in the use of productive resources.

(ii) Wider Range of Commodities: International trade makes it possible for each country to enjoy wider range of commodities than what is otherwise open to it. The commodities which can be produced at home at relatively higher cost can be brought from the cheaper market from abroad and the resources of the country thus saved can be better employed for the production of other commodities in which it is comparatively better fitted.

(iii) Scarcity of Commodities: If at any time there is shortage of food or scarcity of other essential commodities in the country, they can be easily imported from other countries and thus the country can be saved from shortage of commodities and low standard of living.

(iv) Promotes Competition: International trade promotes competition among different countries. The producers in home country, being afraid of the foreign competition, keep the prices of their products at reasonable level.

(v) Speedy Industrialization: International trade enables a backward country to acquire skill, machinery; and other capita! equipment from industrially advanced countries for speeding up industrialization.

(vi) Fall of Prices: A country can export her surplus products to a country which is in need of them. The home prices are, thus, prevented from falling.

(vii) Extension of Means of Transport: When goods are exchanged from one county to another, it leads to an extension of the means of communication and transport.

(viii) Economic Inter-Dependence: International trade offers facilities to the citizens of every country to come in contact with one another. |t makes them realize that no country in the world is self-sufficient. It thus pro motes peace and goodwill among nations.

Disadvantages:

(i) Exhaustion of Resources: In order to earn present export advantages a country may exploit her limited natural resources beyond proper limits. This may lead to exhaustion of essential material resources like iron, coal, oil, etc. The future generation thus stands at a disadvantage.

(ii) Effect on Domestic Industries: If no restrictions are placed on the foreign trade, it may ruin the domestic industries and cause widespread distress among the people.

(iii) Effect on Consumption Habits: Sometimes it so happens that the traders in order to make profits import commodities which are very harmful and injurious to the people For instance, if opium, wine, etc., are imported, it will adversely affect the health and morale of the people.

(iv) Times of Emergency: If each country specializes in the production of those commodities in which it has comparative advantage over other countries, it may prove very dangerous rather fatal during times of emergency tike war. The country may not be able to get essential supplies Thus the whole economy may be crippled.

(v) Provides Foothold to the Foreigners: Foreign trade provides foothold to the foreigners in the country. It is in fact a pretext for a thorough political and economic subjugation of the weak by the powerful country Pakistan and India cannot forget as to how the Britishers came under the garb of traders here.

ASSESSMENT

1. Define international trade
2. List the types of international trade
3. Mention the importance of international trade.
4. List 5 differences between domestic and international trade.
5. What are the pros and cons of international trade?

WEEK 9

Economics SS 3, First term
Reasons for Trade Protection

Trade protection is the deliberate attempt to limit imports or promote exports by putting up barriers to trade. Despite the arguments in favour of free trade and increasing trade openness, ***protectionism*** is still widely practiced. And there are several reasons why this is the case as you shall see below-

To protect sunrise industries:
Barriers to trade can be used to protect *sunrise industries*, also known as *infant industries*, such as those involving new technologies. This gives new firms the chance to develop, grow, and become globally competitive. Protection of domestic industries may allow they to develop a comparative advantage. For example, domestic firms may expand when protected from competition and benefit from economies of scale. As firms grow they may invest in real and human capital and develop new capabilities and skills. Once these skills and capabilities are developed there is less need for trade protection, and barriers may be eventually removed.

To protect sunset industries:
At the other end of scale are *sunset industries*, also known as *declining industries*, which might need some support to enable them to decline slowly, and avoid some of the negative effects of such decline.

To protect strategic industries:
Barriers may also be erected to protect *strategic industries*, such as energy, water, steel, armaments, and food.

To protect non-renewable resources:
Non-renewable resources, including oil, are regarded as a special case where the normal rules of free trade are often abandoned. For countries aiming to rely on oil exports lasting into the long term, such as oil-rich Nigeria, limiting output in the

short term through production quotas is one method employed to conserve resources.

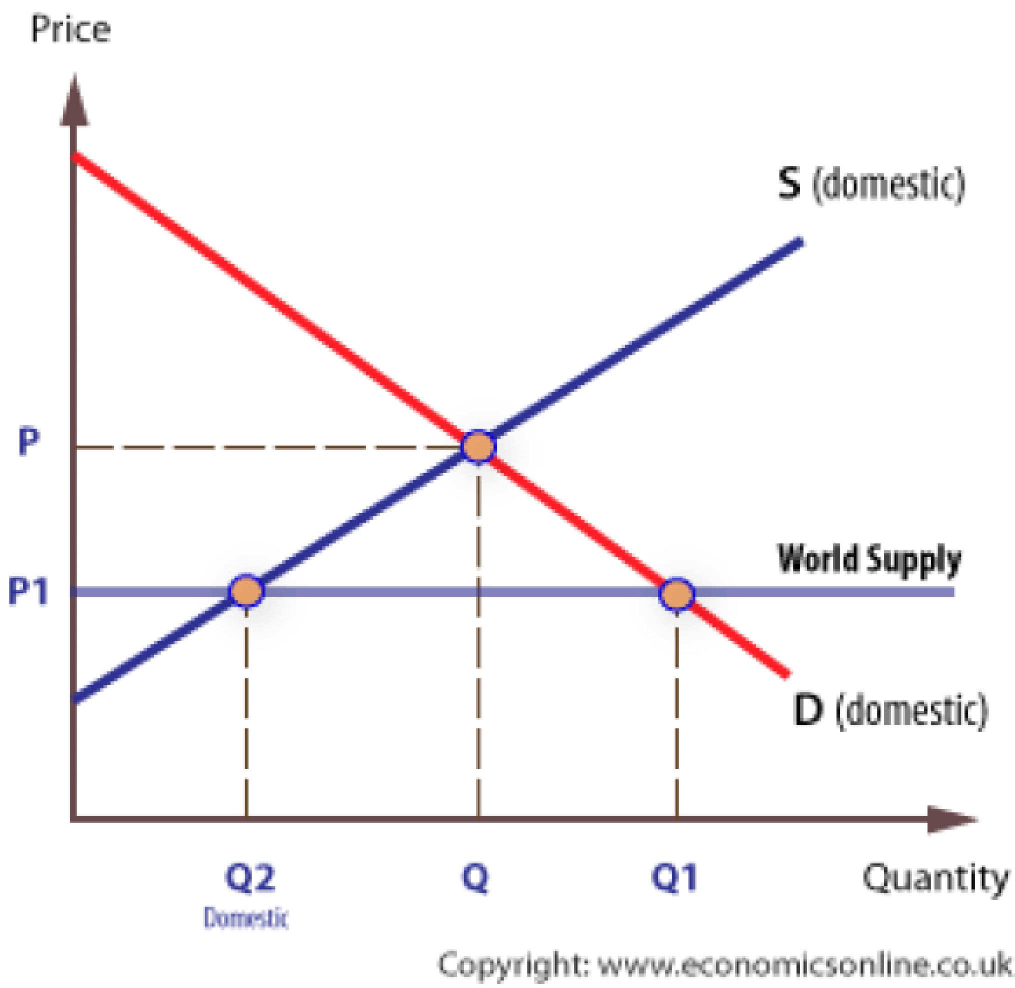
To deter unfair competition
Barriers may be erected to deter *unfair competition*, such as ***dumping*** by foreign firms at prices below cost.

To save jobs:
Protecting an industry may, in the short run, protect jobs, though in the long run it is unlikely that jobs can be protected indefinitely.

To help the environment
Some countries may protect themselves from trade to help limit damage to their environment, such as that arising from CO_2emissions caused by increased production and transportation.

To limit over-specialisation
Many economists point to the dangers of over-specialisation, which might occur as a result of taking the theory of *comparative advantage* to its extreme. Retaining some self-sufficiency is seen as a sensible economic strategy given the risks of global downturns, and an over-reliance on international trade.

Instruments of Trade Protection (Quotas and Tariffs)
Quotas
A quota is a limit to the quantity coming into a country.

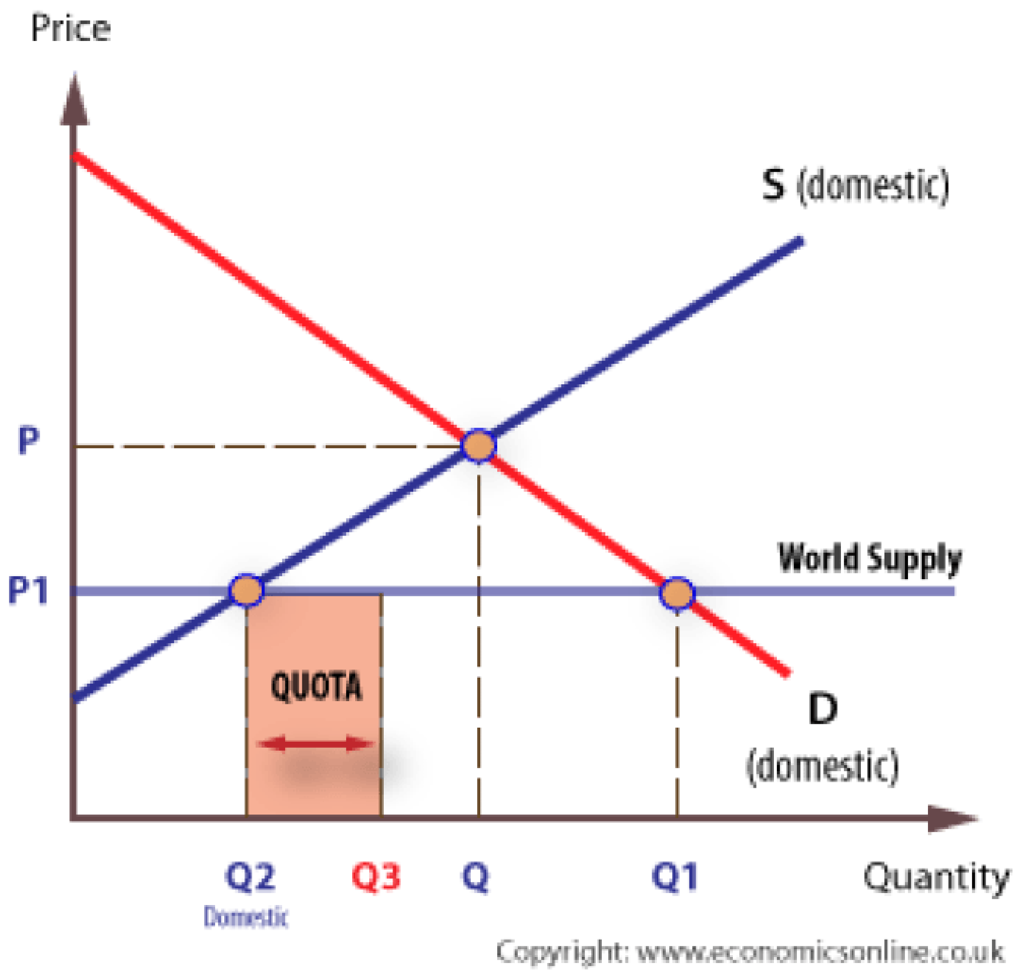


With no trade, equilibrium market price in the country will exist at the price which equates domestic demand and domestic supply, at P, and with output at Q. However, the world price is likely to be lower, at P1, than the price in a country that does not trade. If the country is opened up to free trade from the rest of the world, the world supply curve will be perfectly elastic at the world price, P1.

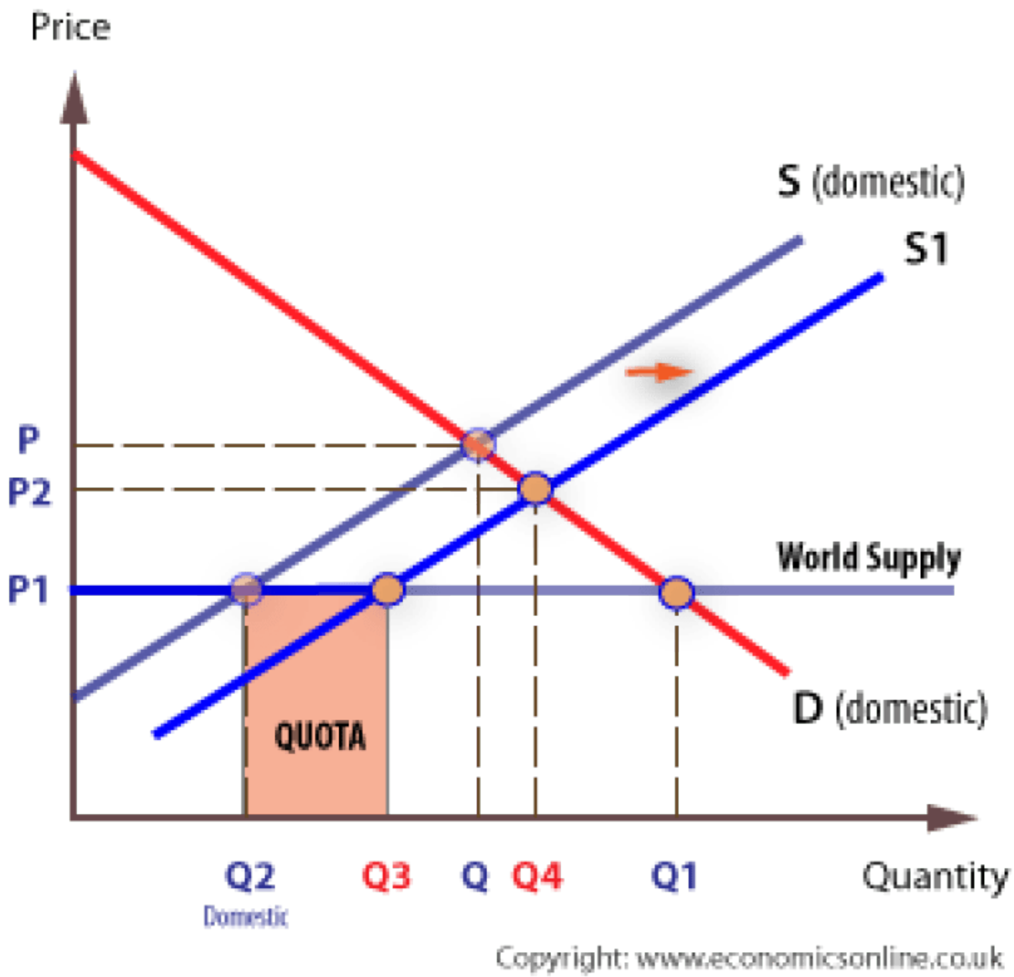
The new equilibrium price is P1 and output is Q1. The domestic share of output is now Q_2, compared with Q, the self-sufficient quantity. The amount imported is the distance Q2 to Q1.

Imposing a quota

In an attempt to protect domestic producers, a quota of **Q_2 to Q_3** may be imposed on imports.



This enables the domestic share of output to rise to **0** to **Q2,** plus **Q3** to **Q4.**



The quota creates a *relative shortage* and drives the price up **to** P2, with total output falling to **Q4**. The amount imported falls to the quota level. It is this price rise that provides an incentive for less efficient domestic firms to increase their output.

One of the key differences between a tariff and a quota is that the welfare loss associated with a quota may be greater because there is no tax revenue earned by a government. Because of this, quotas are less frequently used than tariffs.

Tariffs

Tariffs, or customs duties, are taxes on imported products, usually in an *ad valorem* form, levied as a percentage increase on the price of the imported product. Tariffs are one of the oldest and most pervasive forms of protection and barrier to trade.

The impact of tariffs

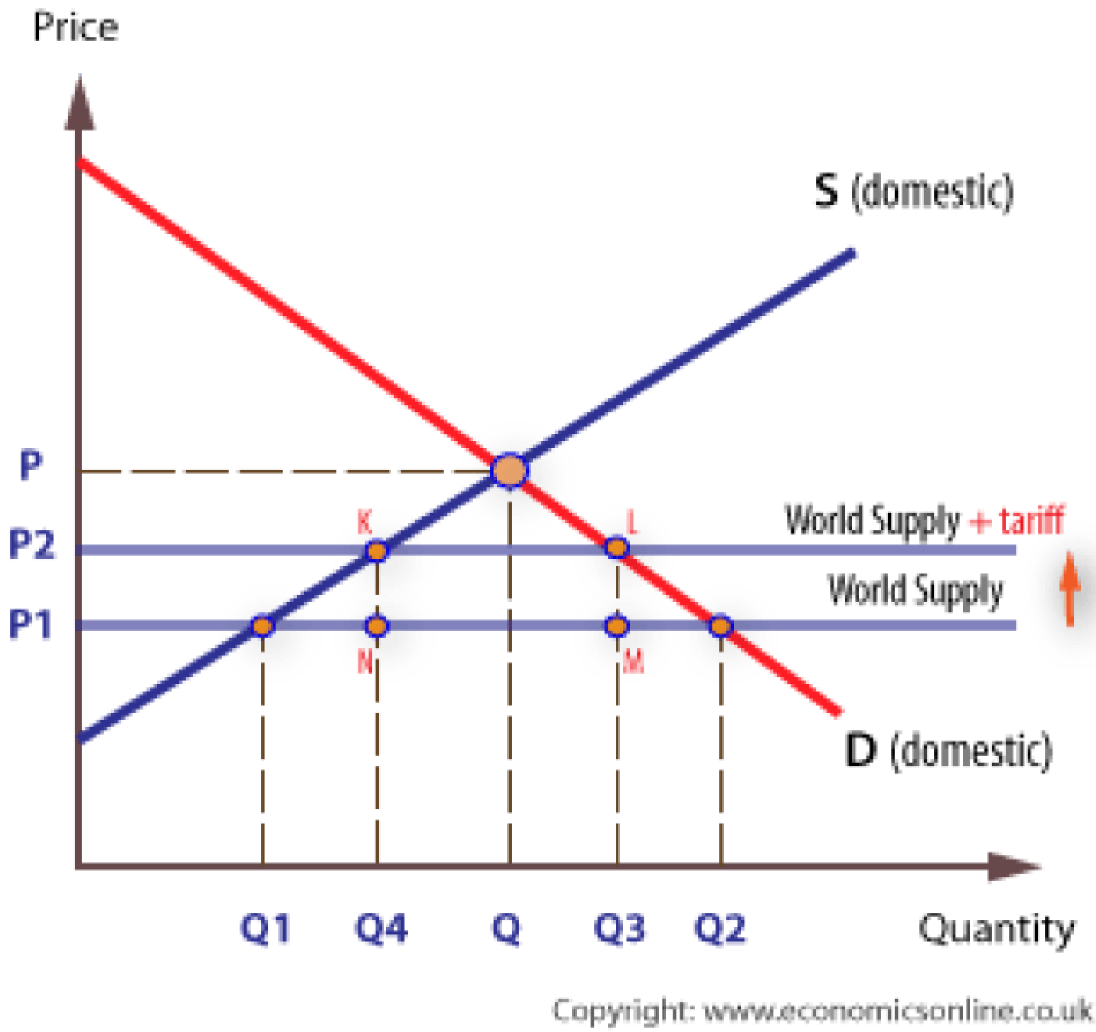
The imposition of tariffs leads to the following:

Higher prices

Domestic consumers face higher prices, which also means that there is a loss of consumer surplus. However, there is a gain in domestic producer surplus as producers are protected from cheap imports, and receive a higher price than they would have without the tariff. However, it is likely that there is an overall net welfare loss.

Without trade, the domestic price and quantity are P & Q.

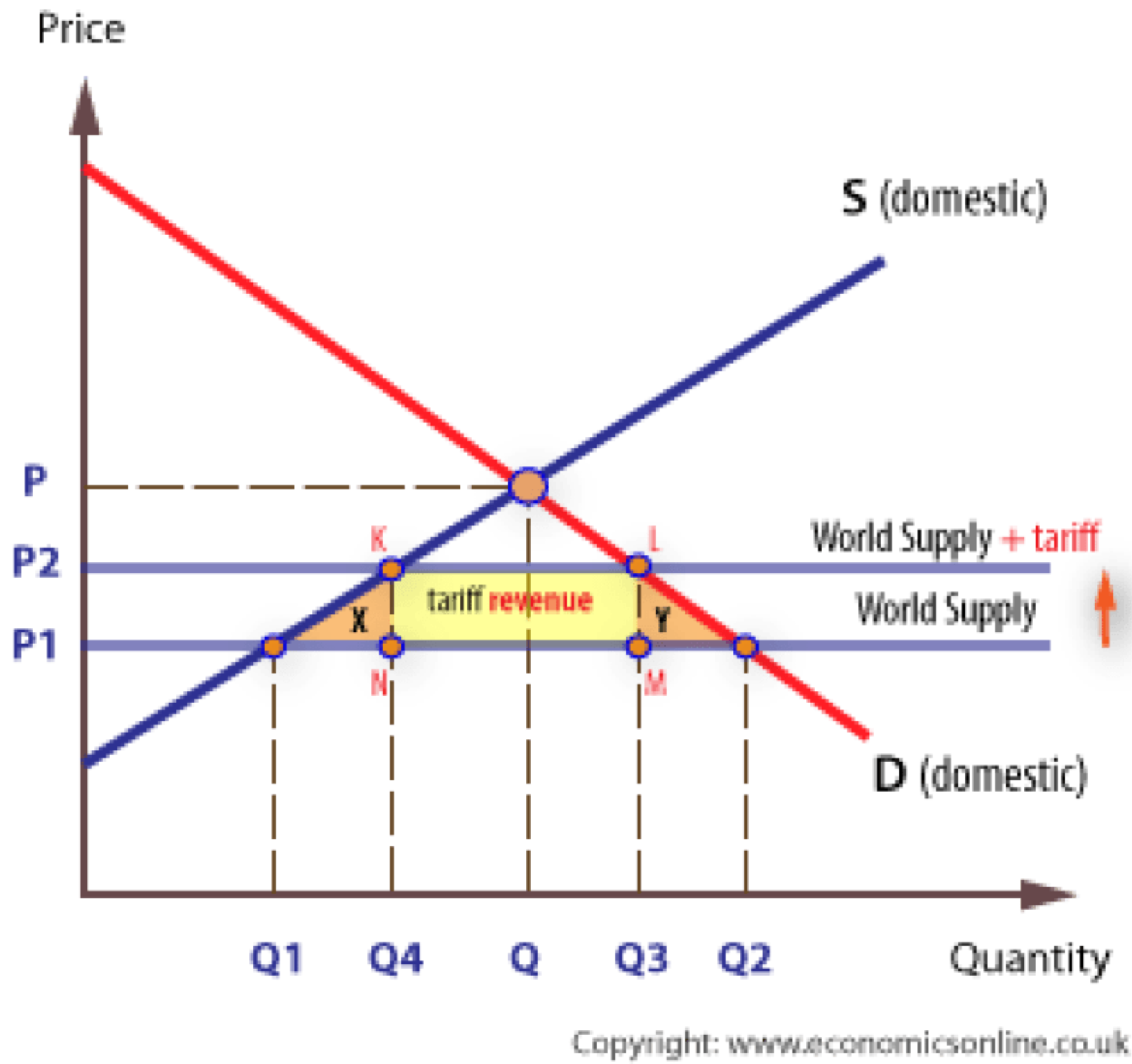
If a country opens up to world supply, price falls to P1, and output increases from Q to Q2. As a result, domestic producers' share falls to Q1 and imports now dominate, with the quantity imported Q1 to Q2.



The imposition of a tariff shifts up the world supply curve to World Supply + Tariff. The price rises to P2, and the new output is at Q3. Domestic producers share of the market rise to Q4, and imports fall to Q4 to Q3. The result is that domestic producers have been protected from cheaper imports from the rest of the World. Given that domestic consumers face higher prices, they also suffer a loss of consumer surplus. In contrast, domestic producers increase their producer surplus as they receive a higher price than they would have without the tariff. Increased market share also means that jobs will be protected in the domestic economy.

Welfare loss

However, the reduction in consumer surplus is greater than the increase in producer surplus. Even when adding the tariff revenue (area **K**,**L**,**M**,**N**) there is still a net loss. The net welfare loss is represented by the triangles X and Y.



Distortion

There is a potential distortion of the principle of comparative advantage, whereby a tariff alters the cost advantage that countries may have built up through specialisation.

Retaliation

There is the likelihood of retaliation from exporting countries, which could trigger a costly trade war.

However, in the short run tariffs may protect jobs, infant and declining industries, and strategic goods. Tariffs may also help conserve a non-renewable scarce resource. Selective tariffs may also help reduce a trade deficit, and reduce consumption.

ASSESSMENT

1. Define trade protection
2. What are the reasons for trade protection?
3. What are the instruments used for trade protection?
4. Define tariffs.

WEEK10

Economics SS 3, First term

What is Balance of Payment?

Balance of payments can be defined as the relationship between the total sum of a country's payment for importation of goods and her receipts for exportation. In other words, it is more like a statement of income and expenditure on international account for a certain period of time; usually one year. Abbreviated B.O.P, Balance of Payment can also be defined as the record of all economic transactions between the residents of the country and the rest of the world in a particular period (over a quarter of a year or more commonly over a year). These transactions are made by individuals, firms and government bodies. Thus the balance of payments includes all external visible and non-visible transactions of a country. It is an important issue to be studied, especially in international financial management field, for a few reasons-

1. ***First, it provides detailed information concerning the demand and supply of a country's currency.***
2. ***Second, a country's balance-of-payment data may signal its potential as a business partner for the rest of the world.***
3. ***Third, balance-of-payments data can be used to evaluate the performance of the country in international economic competition. Suppose a country is experiencing trade deficits year after year.***

Components of Balance of Payment

1. **Current Account:** This is made up of the total receipts on both tangible and intangible product and services.
2. **Capital Account:** This is made up of the flow of money from one country to the other in the form of investments, international grants and loans.
3. **Monetary Movement Account:** This shows how the balance on both current and capital accounts are settled.

How to finance a Country's Balance of Payment Deficit

Balance of Payment Deficit is a situation which happens when the combined receipts on the current and long term capital accounts of a country are less than the corresponding payments. In other words, this situation occurs when occurs when a country's expenditure flows are more than the country's flows. Below are ways to finance Balance of Payment Deficits-

1. ***Running down the external reserves***
2. ***Borrowing from organizations such as the International Monetary Fund***
3. ***Purchase of goods and services, otherwise known as export promotion***
4. ***selling off foreign investments***
5. ***Increased exportation of goods and services***
6. ***Grants and aids to friendly countries***

Balance of Trade

This has to do with the difference between a country's imports and its exports for a given time period. The balance of trade is the largest component of the country's balance of payments (BOP). Economists use the BOT as a statistical tool to help them understand the relative strength of a country's economy versus other countries' economies and the flow of trade between nations. The balance of trade is also referred to as the trade balance or the international trade balance. A country that imports more goods and services than it exports has a trade deficit. Conversely, a country exports more goods and services than it imports has a trade surplus. The formula for calculating the BOT can be simplified to imports minus exports. However, the actual calculation is comprised of several elements. To make complete sense, the raw number of the trade deficit or surplus must be compared to the country's gross domestic product (GDP), since larger economies may be better suited to handle large deficits and surpluses.

How to calculate or measure a country's BOT

It is important to note that when talking about Balance of Trade, debit items include ***imports***, ***foreign aid***, ***domestic spending abroad*** and ***domestic investments abroad***. Credit items on the other hand include ***exports, foreign spending in the domestic economy*** and ***foreign*** investments in the domestic economy. Having said that, you should know that it is by subtracting the ***credit items*** from the ***debit items*** that economists arrive at a ***trade deficit*** or ***trade surplus*** for a given country over the period of a month, quarter or year.

Now read below to learn more on how the Balance of Trade of countries are measured-

1. **Determine the total exports for the country in question.** This type of information can be gotten from global economic data gathering bodies such as the World Bank.

2**. Find the total imports for the country.** Again, this information can be easily derived from the the World Bank.

3**. Subtract the total imports from the total exports.** This will give you the merchandise trade balance. A positive number indicates the country is a net exporter, while a negative number indicates that the country is a net importer.

What is "Terms of Trade"?

Terms of Trade has to do with the relative price of imports in terms of exports and is defined as the ratio of export prices to import prices. It can be interpreted as the amount of import goods an economy can purchase per unit of export goods. In other words, Terms of Trade represents the value of the exports of a country relative to the value of its imports; ***said value which is calculated by dividing the value of the exports by the imports and the result then multiplied by 100.*** When a country's Terms of Trade is less than 100%, it means that more capital is going out than they are coming in. On the flip side, when the Terms of Trade is greater than 100%, it means the country is accumulating more money from exports than it is spending.

How to measure Terms of Trade

The formula below is used to calculate an economy's TOT:

Terms of Trade (TOT) = Index of Export Prices / Index of Import Prices X 100

The indices are the average of the change in price from one period to the next, expressed as a percentage. Now let's use a real-life example to see how the formula works.

In 2012, the island of Madagascar had an index of export prices of 15% (115) over the previous year and an index of import prices of 7% (107) over the previous year.

Madagascar's TOT = 115 / 107 X 100 = 107.5

The results show an improvement of 7.5% in the TOT. TOTs in excess of 100 are said to be improving, while TOTs below 100 are said to be deteriorating.

What is Devaluation?

Devaluation is the deliberate downward adjustment to the value of a country's currency relative to another currency, group of currencies or standard. Devaluation is a monetary policy tool used by countries that have a fixed exchange rate or semi-fixed exchange rate. There are three main reasons why countries may want to devalue their currencies. These reasons include- ***to boost export,*** to ***shrink trade deficits*** and ***reduce sovereign debt burdens***. However, devaluation comes with its consequences. Below are some of the effects of devaluation-

1. ***Increased shopping costs for international buyers***
2. ***Rise in airfares for major international routes***
3. ***Increase in the cost of imported products***
4. ***Increase to the cost of goods and services***
5. ***Greater difficulty in paying external debts***
6. ***Investors would require higher returns to compensate for the inflation***
7. ***The CBN may raise interest rates to fight off inflation***

ASSESSMENT

1. Define Balance of Payment
2. What are some of the reasons for studying Balance of Payment?
3. Define Balance of Trade
4. How do you measure terms of trade?
5. Define devaluation

SS 3
SECOND TERM NOTES ON ECONOMICS

TABLE CONTENT

FIRST TERM

<u>WEEK1</u>

Economics SS 3, Second Term

TOPIC: Economic Growth and Development

Economic growth can be defined as an increase in the real ***per capital income*** of an economic. By increase in the real per capital income, we mean economic improvement in real terms per person in the economy. Economic development on other hand focuses the improvement of the standard of living of the citizen and their quality of life.

Differences between Economic Growth and Development

Economic growth focuses on the quantitative improvement of the economic alone. In other words, it looks at the increase in per capital income only. On the other hand, economic development is concerned with both quantitative and qualitative improvements of the economic as you can see highlighted below-

(i) Increase in per capital output (qualitative)
(ii) High level of literacy (qualitative)
(iii) High life expectancy (qualitative)
(iv) High quality of health care (qualitative)

Under Development and Its Characteristic

Underdevelopment is defined as the under utilization of either the human capital or the natural resources of an economy. An underdeveloped economy is often characterized by the followings-

(i) High rate of poverty
(ii) Low level of literacy
(iii) Low quality of health care
(iv) Low level of per-capital income
(v) Wide income of inequalities

(vi) Underutilized man power and natural resources
(vii) High level of corruption
(viii) Dependence on primary goods
(ix) Use of outdated technology

Solutions to Underdevelopment
(I) Encourage investor to invest
(II) Provisions of infrastructure
(III) Provisions of employment opportunity
(IV) Haman capital development
(V) Economic export
(VI) Provisions of business incentives

Further Explanation of Solutions
1. **Encourage Investment:** The government as a matter of utmost importance must encourage both local and foreign investor to invest into the economy .This will lead to job creation and reduce poverty in the country.
2. **Provisions of infrastructure**: infrastructure like good roads, constant electricity most be provided so as to reduce the cost of doing business in the country
3. **Provision of employment opportunity:** Government absorbed some of the unemployment into civil service as civil servant.
4. **Human capital development:** Development of the labour force very key for a country to move from an under developed economy to a developed one .Government must hence education and researcher.
5. **Provision of business incentive:** Business incentive like tax holidays and low interest rate on loans must be given to infant industry (new industry) for them to be able to complete with the stabilized ones.

Strategies for Economic Development

1) Import Substitution: This is when a country encourages the product of imported goods locally. By doing such, firms are spring up; supporting firms are also springing up, both employing labour and by extension reducing poverty. Example of this is the policy of encouraging local production of rice.

2) Export Promotion: this is a situation where government reduces or eliminates barrier that could hinder the export of final goods.

ASSESSMENT

1. Which of the following is generally regarded as the true index of economic growth?
   (a) An increase in national income at constant prices during a year
   (b) A sustained increase in real per capita income
   (c) An increase in national income at current prices over time
   (d) An increase in national income along with a corresponding increase in population
2. The concept of economic growth is:
   (a) Identical with the concept of economic development
   (b) Narrower than the concept of economic development
   (c) Wider as compared to that of economic development
   (d) Unrelated to the concept of economic development
3. Which of the following is not an indicator of economically underdeveloped countries?
   (a) Low per capita income
   (b) High death-rate
   (c) Low proportion of labour force in the primary sector
   (d) High level of illiteracy
4. The rate of growth of an economy mainly depends upon:
   (a) The rate of growth of the labour force
   (b) The proportion of national income saved and invested

(c) The rate of technological improvements
(d) All of the above

5. Among the following determinants of growth, which is a non-economic factor?
(a) Natural resources
(b) Population growth
(c) Favourable legislation
(d) Capital accumulation

ANSWERS

1. b
2. b
3. c
4. d
5. c

WEEK2

Economics SS 3, Second Term

TOPIC: Economic Development Planning

Economic Development planning has to do with the policies made by the government of a country to ensure rapid economic development across all the sectors of an economy. In other words, it typically entails holistic distribution of economic resources to every sector of an economy.

Types of Economic Planning

1. Comprehensive Economic Planning: This entails economic planning for virtually all the sectors of an economy. The aim is to ensure a holistic economic development whereby no sector of the economy is left unattended to. This is in recognition of the fact that every sector contributes to the overall wellness of an economy. This is therefore [perhaps] the best economic planning approach there is.
2. Partial/Sectoral Economic Planning: This type of economic planning only takes care of a particular sector. Please bear in mind that every economy is made up of different sectors. For example, there are the agro-allied sector, the industrial sector, the financial services sector and the entertainment sector etc.
3. Authoritarian Economic Planning: This is the types of planning that takes place in socialist economies such as the former USSR.
4. Democratic Economic Planning: This [of course] is the direct opposite of the Authoritarian Economic Planning approach. It is the type of planning that takes place in a free market/capitalist economy.
5. Financial Economic Planning: This is the type of planning in which allocation of resources are done in monetary terms.

Reason for Economic Planning

1. *Diversification of the Economy*
2. *To increase the Gross National Product*
3. *To create more employment*
4. *To ensure equitable allocation of resources*
5. *To achieve economic growth*
6. *To encourage*

Problems of Economic Planning

1. **Insufficient and inaccurate statistical data:** In countries like Nigeria, there is often the problem of insufficient data on which economic planning can be based. Even the avaiable data are often prone to errors, thereby making any projections inaccurate. This poses itself as a serious problem.
2. **Inadequate Capital:** Capital is needed for the execution of any economic plan. If the available capitals are not adequate, it will be difficult to execute any plans.
3. **Political Instability:** Changes in government (especially in countries like Nigeria) in most often leads to change of plans even as the plan of the previous administration are jettisoned; whether or not they are good.
4. **Rapid Population Growth:** Every economic plan is always based on a projected/estimated population of a country. In situations whereby a country's population grows faster than anticipated (as it so often happens in Nigeria), economic plans tend to fail.
5. **Lack of Political Will:** If leaders are not committed to making sure the economic plan is successful, it won't be successful.

Nigeria Planning Experience

1. **The first National Development 1962 – 1968**

This is the first national comprehensive and integrated plan, which has a proposed national expenditure of ₦ 8,872.5. The expenditure will be allocated as follows:

Sectors	Yearly Investment	Total Investment
	₦	₦
Private	187.5	2,925
Public	991.5	5,947.5
Total	**1179**	**8872.5**

2. **The Second National Development 1970 – 1974**

The civil war of 1966 brought first plan to an abrupt end, hence the head to come up with another developmental plan. The second plan had a proposed plan of capital expenditure at ₦ 3,084 million allocated as follows:

Sectors	Total Investment
	₦
Public	1,560
Private	1,524
Total	**3,084**

3. **The third National Development Plan: 1975 – 1980**

The plan was launched in March 1975 with projected expenditure of ₦30 billion, which was later revised to ₦43 billion as a result of creating more state. The ₦30 billion was allocated as follows:

Sectors	Expenditure ₦ B
Public	70.5
Private	11.5
	82.0

ASSESSMENT

1. Measurement of economic development is based on:
   (a) Monetary income
   (b) Real income
   (c) Future income
   (d) Permanent income
2. When a country develops:
   (a) Per capita income rises
   (b) Specialization increase
   (c) Urbanization rises
   (d) All of the above
3. When economic development takes place:
   (a) Market imperfections increase
   (b) Population increases
   (c) Capital stock increases
   (d) (b) and (c) of the above
4. When economic development takes place:
   (a) Exports increase
   (b) Imports increase
   (c) Capital stock increases
   (d) All of the above
5. When economic development takes place:
   (a) Specialization increases
   (b) Commercialization decreases
   (c) Market imperfections increase
   (d) None of the above

ANSWERS

1. b
2. d
3. d

4. d
5. a

WEEK3

Economics SS 3, Second Term

TOPIC: International Economic Organization

Organization	Year of Establishment	Headquarters	No of Members
ECOWAS	1975	Abuja, Nigeria	16
Economic Commission for Africa (ECA)	1958	Addis Ababa, Ethiopia	
International Monetary Fund (IMF)	1944	Washington DC, USA	
International Bank for Reconst (IBRD)	1960	Washington DC, USA	37
ADB	1964	Abidjan, Cote'd'ivoire	
OPEC	1960	Baghdad, Iraq	13
UNCTAD	1964	Genera, Switzerland	
GATT	1947	Geneva	23

ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

Ecowas is a sub-region organization formed by fifteen West African countries in 1975. Lagos was originally its headquarters before it was moved to Abuja. It now has sixteen members states as a result of the inclusion of Cape-Verde. Ecowas' main aim is to promote economic co-operation among members geared towards the development of the sub-region and African continent.

Aims and Objectives of ECOWAS

1. **Promotion of co-operation and development among member nations.** This is the major reason behind the formation of ECOWAS; the need for co-operation and development. This development agenda was envisioned to cut across all sector of

each of the member states' economies. The end result of this is to raise the standard of living of citizen of member country.

2. **Harmonization of Policies.** The commission also aim at harmonizing the different sectoral policies of member states, for example harmonization of agricultural policies, harmonization of monetary policies, etc.

3. **Abolition of Obstacle to free movement.** Ecowas aims at encouraging free movement of citizens from one member states to another.

4. **Abolition of Trade Restriction.** Ecowas also aims at making sure that goods and services are not subjected to quantitative and administrative restrictions among members state.

5. **Establishment of a common Tariff.** Ecowas also aim at establishing a common tariff and a common commercial policy between member country

ECONOMIC COMMISSION FOR AFRICA (ECA)

The Economic Commission for Africa (ECA) was founded in 1958 as an organ of United Nations. Its aim is to continually contribute to the development of Africa. Below are all of its aims and objectives succinctly stated-

1. To Promote the social and economic development of Africa as a whole
2. To conduct economic research and provide useful conclusion that will help Africa to develop
3. To aid the acceleration of economic integration of Africa sub region
4. ECA helps in the establishment of Africa Development Bank
5. To contribute to the training of economic manpower that aid economic development.

INTERNATIONAL MONETARY FUND (IMF)

The International Monetary Fund [IMF] was established in 1944 after a modification of the ***Gold Currency Standard.*** It's headquarters is in Washington DC, United States of America and its aims and objectives are enumerated below-

1. To serve as a clearing house for member nations.

2. To promote international monetary co-operation and the expansion of international trade.
3. To give advice and help member nations.
4. To eliminate exchange controls
5. To contribute to the development of member nations.

International Bank for Reconstruction and Development World Bank

The IBRD, also known as **World Bank** is an international financial institution and an organ of United Nations, established with the main objective of providing developmental funds (in the form of loans) to underdeveloped countries of the world.

Aims and Objectives of IBRD

1. To assist the reconstruction of territories affected by the world war II
2. To provide technical assistance to member nation
3. To promote private foreign investment by supplementary private investment when private capital is not readily available on reasonable term.
4. To help raise the standard of living in underdeveloped countries.
5. Tom promote international trade and balance of payment

AFRICA DEVELOPMENT BANK

The Africa Development Bank was established in 1964 with the aim of financing developmental projects in Africa. It has it’s headquarters in Abidjan, Ivory Coast (i.e., coted’ivoire). Below are its aims and objectives clearly stated-

1. To grant loans to member states and private firms so as to accelerate economic activities that will lead to Africa development.
2. To promote development projects that will facilitate the economic development of Africa countries.
3. To provide technical assistance for developmental project and programmes embarked upon by member states.

4. Provision of fund for the supply of infrastructural facilities like electricity, water, etc.
5. To contribute to the economic integration of African countries.

ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC)

OPEC was established in 1960 by five oil exporting countries. It now has thirteen countries as members. Its main objective is to protect the interest of its member and form an economic bloc. Read more of its aims below-
1. Stabilization of price of oil in the world market.
2. It fixes and allocate production quota member states
3. It protect its member from being exploited by multinationals oil company
4. Stabilization of oil income of member states.
5. To ensure steady supply of goods of oil to consuming nations.

UNITED NATION CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

UNCTAD was established in 1964 to complement the activities of the general agreement on Tariffs and Trade. It has its headquarter in Geneva, Switzerland. And here are its aims and objectives-
1. To promote international trade.
2. To help poor nation solve their balance of payment problem.
3. To aid economic development.

General Agreement on Trade and Tariffs

GATT was an agreement among multilateral countries which was aimed at regulating international trade. GATT was signed in October 1947 by twenty three countries in Geneva, Switzerland and lasted till April 1994. Here are the aims and objectives GATT hoped to actualize-
1. To regulate and expand international trade
2. Raise the standard of living of the world
3. Development and full utilization of world's resources

4. To come up with a tariff that benefit both developing and developed nations.

ASSESSMENT

1. When did the international Monetary Fund (IMF) begin its operations?
   (a) 1945
   (b) 1946
   (c) 1947
   (d) 1948
2. Where are the headquarters of the IMF?
   (a) Paris
   (b) Geneva
   (c) New York
   (d) Washington, DC
3. Which one of the following is not a function of the IMF?
   (a) The promote international monetary cooperation
   (b) To promote exchange stability
   (c) To promote a multilateral trading system
   (d) To promote the development of backward countries
4. The Africa Development Bank was established in
   (a) 1964
   (b) 1965
   (c) 1966
   (d) 1969
5. United Nation Conference on Trade and Development (UNCTAD) is headquartered in
   (a) Paris
   (b) Geneva
   (c) London
   (a) Abuja

ANSWERS

1. b
2. d
3. d
4. a
5. b

<u>WEEK4</u>

Economics SS 3, Second Term

TOPIC: CURRENT ECONOMIC PLANS

VISION 2020

Vision 2020 is an expression of long term objectives hoped to launch Nigeria unto the path of sustained social and economic development by the year 2020. Simply put, vision 2020 is a document that proposes how Nigeria can become one the top twenty most developed nations in the world by the year 2020.

What are the Objectives of Vision 2020?

1. To maintain GDP growth at an average of 13.8% this will be driven by non-oil sector like agriculture and industrial sector.
2. To increase the life span of an average citizen to 70 years.
3. To inculcate the sense of patriotism to every private individuals.
4. To manage the Nations? God-given natural resources and ensure its preservation for the benefit of present and future generation.
5. To maintain a peaceful, equitable, harmonious and just society.

National Economic *Empowerments* Development Strategies (NEEDS)

The idea of NEEDS was conceived in 2001 by the Obasanjo led Administration which is aimed at moving Nigeria from an under developed nation to developed Nation.

NEEDS objective are as follows-

1. Target a positive Growth in the real GDP of the economy
2. Public sector reforms
3. Encouraging privatization and liberalization
4. Development of local resources

Encouraging Small and medium scale enterprises: Millennium Development Goals

These are eight international objectives that were established in the year 2000 and signed by one hundred and eighty nine [189] countries, including Nigeria. The basic aim is to encourage development by improving social and economic conditions. See more of the aims enumerated below-

1. Eradicate extreme poverty and hunger
2. Achieve universal basic education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve internal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development.

Objectives of MDG

Objectives of MDGs can be derived from their goals and they include-

1. Increase in the level of literacy
2. Reduction in child mortality
3. Reduction/elimination of death during birth
4. Reduction in child mortality
5. Waging war on deadly effect of HIV/AIDS, malaria etc

ASSESSMENT

1. Vision 2020 is a document that proposes how Nigeria can become one of the ____ most developed nations in the world by the year 2020
   (a) top top
   (b) top twenty
   (c) top thirty
   (d) top forty

2. One of these is not an objective of Vision 2020
   (a) to increase the life span of an average citizen to 70 years
   (b) to inculcate the sense of patriotism to every private individuals
   (c) to maintain a GDP growth driven by 100% dependence oil
   (d) maintain a peaceful, equitable, harmonious and just society
3. NEEDS stands for
   (a) National Economic Empowerment Development Strategies
   (b) Nigerian Economic Empowerment Development Scheme
   (c) Northern Economic Empowerment Development Strategies
   (d) Northern Economic Empowerment Development Scheme
4. The idea of NEEDS was conceived in
   (a) 2000
   (b) 2001
   (c) 2002
   (b) 2003
5. One of these is not an objective of the MDGS
   (a) increase child mortality
   (b) improve internal health
   (c) combat HIV/AIDS, malaria and other diseases
   (d) ensure environmental sustainability

ANSWERS

1. b
2. c
3. a
4. b
5. a

WEEK5

Economics SS 3, Second Term

TOPIC: NIGERIA ECONOMIC CHALLENGES

Nigeria has a lot of economic challenges, chief among which is poverty. And as you may well know, poverty is a state of extremely impoverishment and lack. In other words, people are categorised as *poor* when they are unable to afford basic necessity for themselves. In Nigeria, millions of people are poor; completely unable to afford basic needs of every day living such as food, housing and clothing. The situation seems to get worse every passing day and unfortunately the Government has not taken any actual [functional] steps towards addressing it.

Effects of poverty

1. **Malnutrition:** People living in poverty do not have access to quality/nutritious food and if they do have access to quality food, they do not the economic power to get them.
2. **Poor health:** when a child does not take nutritious food. It therefore means such child is prone to disease as the body does have the ability to fight off disease. When such disease is noticed, there are no financial resources to go to hospital.
3. **Lack of Education:** Many people living in poverty do not attend school, even when the school is free, they do not have the financial muscles to buy educational materials, school uniform etc.
4. **Undeveloped Economy:** without an education, it is very likely that people will not be able to get a job and when people are not working the economy suffers as they are not contributing their quota to the development of the economy.
5. **Social Vices:** Social vices like stealing, killing etc have a direct relationship with poverty. An increase in poverty level leads to increase in social vices. Many people living in poverty are homeless and stays on the street which may lead to social unrest taking over the society

Poverty Alleviaion Agencies

1. **NAPEP:** The National Poverty Eradication Programme is a 2001 program by the Nigerian government aimed at addressing poverty in Nigeria and related issues. Its objectives are as follows-

1. Training youth in vocational trade
2. Graduate internship
3. Creating employment
4. Giving micro-credit to small and medium scale enterprises.

2. **NDE:** The National Directorate of Employment was established in 1986 by the then Babangida military led-administration with the aim of combating mass unemployment. It focuses on-

1. Vocational skill development
2. Entrepreneurship development
3. Agricultural Development
4. Public work programmes

Method of Poverty Alleviation

Methods of poverty alleviation are the activities embarked upon by governments and NGOs with the aim of either alleviating poverty in a country or reducing it to its barest minimum. Some of these measures include-

1. **Creation of employment:** Giving employment to those who are willing and able to work makes it possible for them to earn income and as such be able to afford the basic necessities of life.
2. **Training:** Training individuals will help them acquire basic vocational skills which will ultimately make them self employed and as such be able to earn money and be able to afford basic necessities.
3. **Micro credit:** Giving small credit to people who have entrepreneurial skill to start a business will assist in a long way as they can use profit made to get necessities and also plough part of the profit back into the business,
4. **Provision of infrastructure:** Provision of social infrastructure like electricity, good road networks etc will encourage investors to come to the country to

establish and by extension increase the level of employment which will reduce the level of poverty in the country.

HIV/AIDS and the Economy

HIV/AIDS is a sexually transmitted disease which can also be gotten through other means. The illness (when left undetected and managed early), can affect the physical capacity and productivity of sufferers. In this regars therefore, HIV/AIDS adversely affects the economy in the sense that resources are deployed towards catering for those with the disease. As commendable it is to take care of people who are sick, it has an ***opportunity cost***.

Corruption and the Economy

Corruption is the act of knowingly taking what does not belong to you or putting oneself in a position an undue/illegal advantage over another person. Corruption can be in different forms but whichever form it takes, it has a negative impact on the economy. Let us take a situation where a government official steals public fund that could have been used to better the lots of citizens through road construction, power generation etc. Please note that corruption is not only financial or economical; it can also be attitudinal like selling of votes etc.

'POWER AND ENERGY INADEQUACY' AND THE ECONOMY

Power is critical to the development of any economy. Many companies in Nigeria have closed down their business operations as a result of erratic power supply and the huge cost of generating electricity for themselves. This has in in turn resulted in increased unemployment, which in turn led to an increased social vices. Nigeria currently generates less than 5000 MW as oppose the minimum 20000MW required to reasonably power the whole country. The [un]bundling of the power sector into three main components namely ***Generation***, ***Transmission*** and ***Distribution*** have not helped to increase the rate of power supply and we hope things improve in the long run.

ASSESSMENT

1. _____ is a state of extremely impoverishment and lack
   (a) distribution
   (b) corruption
   (c) economy
   (d) poverty
2. One of these is not an effect of poverty
   (a) developed economy
   (b) social vices
   (c) poor health
   (d) malnutrition
3. The NDE was established in
   (a) 1984
   (b) 1985
   (c) 1986
   (d) 1987
4. NDE stands for
   (a) National Directorate of Employment
   (b) Nigerian Directorate of Employment
   (c) Nigerian Directorate of Education
   (d) National Directorate of Education
5. Nigeria needs to generate a minimum of _____ MW of electricity to reasonably power the whole country
   (a) 5000MW
   (b) 8000MW
   (c) 15000MW
   (d) 20000MW

ANSWERS

1. a
2. a

3. c
4. a
5. d

WEEK6

Economics SS 3, Second Term

TOPIC: ECONOMIC REFORMS PROGRAMME

Economic Reforms are policies adopted towards achieving improvement in the economy. The policies can either be aimed at reducing the size of the government or privatizing government owned firms. It can also be about re-adjusting tax policy.

Consolidation of the Financial Institution

The Consolidation of the Financial Institution as introduced by then Central Bank of Nigeria (CBN) Governor Prof. Charles Soludo 2005 mandated every banks to have a minimum capital base of twenty five billion naira. This led to various merging and acquisition among and between various banks. This drastic [positive] measure has helped to sanitize Nigeria's banking sector, ultimately making it more effective and efficient such that Nigerian banks can now compete with banks at international level.

Privatization and Commercialization

Privatization is a situation whereby organizations that are formerly issued by government are sold to private individuals (i.e. companies formerly owned by private individual E.g. NEPA). Commercialization can also be defined as making state owned and highly subsidized enterprises more *profit-oriented*. State owned enterprises are ideally not meant to be overtly profit-minded. But when they are commercialized, it means that they can finally operate as private firms and make profit.

Indigenization and Nationalization

Indigenization can be defined as reducing or eliminating foreign ownership of firms in a country. ***Nationalization*** is the direct opposite of privatization. It is a situation where an organization formerly owned by private individuals is now owned by government.

EFCC and ICPC

Economic and Financial Crime Commission is an anti graft agency saddled with the responsibility of investigating and prosecuting individuals accused of economic and financial crimes.

Independent Corrupt Practices and other related Offences Commission is a wider anti graft agency responsible for prosecuting charges alleged against individuals which are social, economical, marital in nature.

National Agency for Food and Drug Administration and Control is an agency saddled with the responsibility of ensuring that food and drugs locally produced or imported meet the acceptable standard before they are sold to final consumers. NAFDAC achieve this objective by visiting local production firms and also running a test on random samples of different locally and foreign products in its laboratory.

Standard Organization of Nigeria (SON)

SON is an agency that ensures standard in locally produced or imported goods. SON has the same responsibility as NAFDAC. The major difference is that whereas theirs is on a larger scale, NAFDAC's jurisdiction is limited to food and drugs alone. Succinctly put, SON is a government agency saddled with the responsibility of ensuring that all goods locally produced or imported are of acceptable standards before they are sold to final consumers.

ASSESSMENT

1. _____ are policies adopted towards achieving improvement in the economy
   (a) economic perform
   (b) economic reform
   (c) economic deform
   (d) economic inform

2. Government can achieve improvement in the economy by doing all of the following except
   (a) reducing the size of the government
   (b) privatizing government owned firms
   (c) re-adjusting tax policy
   (d) importing more goods than exported
3. The Consolidation of the Financial Institution as introduced by then Central Bank of Nigeria (CBN) Governor Prof. Charles Soludo was carried out in
   (a) 2002
   (b) 2003
   (c) 2004
   (d) 2005
4. The situation whereby organizations that are formerly issued by government are sold to private individuals is known as
   (a) privatisation
   (b) consolidation
   (c) indigenisation
   (d) permutation
5. The agency that ensures standard in locally produced or imported goods is
   (a) NAFDAC
   (b) SON
   (c) EFCC
   (d) ICPC

ANSWERS

1. b
2. d
3. d
4. a
5. b