SS2 Economics Lesson Note Second Term

SCHEMES OF WORK FOR SECOND TERM SS 2 ECONOMICS

WEEK 1: REVISION OF LAST TERM'S WORK

- **PRODUCTION**
- **PRODUCTION POSSIBILITY CURVE**
- **MEANING AND GRAPHICAL ILLUSTRATION**
- **LAW OF VARIATIBLE PROPORTION**
- **CONCEPTS OF TOTAL AVERAGE AND MARGINAL PRODUCTIVITY**

WEEK 2 COST CONCEPT

- **MEANING OF COST TO AN ACCOUNTANT AND ECONOMIST**
- **TYPES OF COST (TC, FC,VC, AFC,MC ETC)**
- **EXPLAIN WITH SCHEDULE AND GRAPH**
- **SHORT AND LONG RUN COST**

WEEK 3 REVENUE CONCEPT

- **MEANING OF REVENUE TO AN ECONOMIST**
- **TYPES (TOTAL, AVERAGE AND MARGINAL REVENUE)**
- **GRAPHICAL ILLUSTRATION, SCHEDUKE AND CURVE**
- **CALCULATIONS**

WEEK 4 ECONOMIC SYSTEM

- **MEANING OF ECONOMIC SYSTEM**
- **TYPES OF ECONOMIC SYSTEM (CAPITALISM, SOCIALISM, MIXED ECONOMY AND WELFARISM)**
- **FEATURES OF EACH**
- **FACTORS TO BE CONSIDERED IN THE ADOPTION OF ECONOMY SYSTEM**

WEEK 5 LABOUR MARKET

- **MEANING OF LABOUR MARKET**
- **CONCEPT OF LABOUR FORCE**
- **FACTORS AFFECTING THE SIZE OF LABOUR FORCE**
- **EFFICIENCY AND MOBILITY OF LABOUR**

WEEK 6 SUPPLY AND DEMAND FOR LABOUR

- **WAGE DETERMINATION**
- **UNEMPLOYMENT(MEANING AND TYPES)**
- **TRADE UNION**
- **WEEK 7: MARKET STRUCTURE**

- **MEANING AND TYPES OF MARKET (PERFECT AND IMPERFECT)**
- **PERFECT MARKET (MEANING, FEATURES AND MARKET EQUILIBRIUM POSITION (P = MR = MC= AR = D)**

WEEK 8 IMPERFECT MARKET

- **MEANING AND TYPES ITH GRAPHICAL ILLUSTRATIONS**
- **PRICE DISCRIMINATION**
- **EQUILIBRIUM POSITION (SHORT AND LONG RUN)**

WEEK 9 INDUSTRIES IN NIGERIA

- **MEANING OF PLANTS, FIRM, INDUSTRY AND FACTORY**
- **TYPES OF INDUTRIES (MINING, CONSTRUCTION ETC)**

WEEK 10 LOCATION OF INDUSTRY

- **MEANING OF LOCATION OF INDUSTRY**
- **FACTORS AFFECTING LOCATION OF INDUSTRY**
- **LOCALISATION OF INDSTRY**
- **FACTORS AFFECTING LOCALIZATION OF INDSTRY**
- **ADVANTAGES AND DISADVANTAGES OF LOCALIZATION OF INDSTRIES**

WEEK 11 REVISION AND EXAMINATION

WEEK 1

PRODUCTION POSSBILITY CURVE

A production possibility curve (PPC) is a graphical or diagrammatic illustration of all possible bundles or combinations of two types of goods which a society can produce using its present level of resources and given the existing level of technology.

The idea behind the production possibility curve is that in order to produce a particular commodity, the production of another commodity has to be sacrificed.

For example, the production possibility curves for the production of cattle and motor vehicles in South Africa.

Production Possibility Table for The Production of Cattle and Motor vehicles by South Africa

Possible combination head of cattle no of motor vehicles

A 200 0

B 170 30

C 100 70

D 80 130

E 40 150

F 0 180

The table shows the alternative open to South Africa to substitute the production of cattle for vehicle on a monthly basis, assuming a given state of technology and a given total of resources.

Production Possibility curve for the Production of cattle and motor vehicle in South Africa.

INTERPRETATION OR POINTS TO NOT FROM THE GRAPH

1. Points A to F on the graph indicate efficient use of resources
2. At points O and P (outside the curve), production is not feasible. Production of these points is not feasible due to the limited resources and technology.

- At point K and L (inside the curve), production is feasible. It represents where resources are not efficiently utilized.

1. The downward slope of the PPC indicate that there is an opportunity cost of producing more of one type of commodity and less of the other due to limited resources and technical know how

LAW OF DIMINISHING RETURNS OR VARIALBE PROPORTION

This law refers to a short run production situation. The law of diminishing returns states that as more of the variable factor (e.g. labour or capital) is added to other factors which are constant (e.g. land), outputs will eventually increase at a decreasing rate.

The law of diminishing returns follows three stages, these are;

1. Increasing returns
2. Constant returns
3. Decreasing returns

CONCEPT OF TOTAL PRODUCT (TP), AVERAGE PRODUCT (AP) AND MARGINAL PRODUCT (MP)

1. TOTAL PRODUCT (TP): Total product refers to the total quantity of goods produced at a particular time as a result of the use of all the factors of production.

Symbolically written as TP = AP X Q

total Point of diminishing returns

output TP

1. AVERAGE PRODUCT (AP): Average product is defined as the output per unit of the variable factor (labour or capital) employed. This is obtained by dividing the total output by the number of labour or capital employed.Symbolically written as AP:TP/Q

Y

AP

AP

3.MAGINAL PRODUCT (MP): This is the additional product produced as a result of the application of additional unit of a variable factor when all other factors are fixed.

MP

Unit of labour

MP

Symbolically written as MP = CHANGE IN TP/CHANGE IN VARIABLE FACTOR =

$\underline{TP_1 – TP_O}$

$Q_1 – Q_O$

TOTAL PRODUCT, AVERAGE PRODUCT AND MARGINAL PRODUCT

VARIABLE UNIT FIXED FACTOR TOTAL PRODUCT AVERAGE PRODUCT MARGINAL PRODUCT

OF LABOUR hectares of land (Kg) (Kg) (kg)

1 3 8 8 ……

2 3 18 9 10

3 3 36 12 18

4 3 48 12 12

5 3 55 11 7

6 3 60 10 5

7 3 60 86 0

8 3 56 7 -4

RELATIONSHIP BETWEENTOTAL PRODUCT, AVERAGE PRODUCT AND MARGINAL PRODUCT.

The relationship between total products, average product and marginal product can be demonstrated by a graph. Both TP and MP initially rise. The TP curve remains at maximum point when MP is zero. To declines after MP = 0 and MP afterwards assumes negative values.

QUESTIONS

1. Write short note on (a) firm (b) plant (c) industry

Tonnes of fertilizer applied total product in bags marginal product

0 1000 …….

1 1100 100

2 1250 150

3 1500 250

4 …….. 400

5 …….. 250

6 ……. 125

7 2350 ……..

8 2380 ……..

9 2330 ……..

WEEK 2

COST CONCEPT

MEANING OF COST OF PRODUCTION

Cost of production can be defined as the sum of total of all the payment to the factors of production used in production of goods and services.

For goods and services to be produced, all the four factors of production, which are land, capital, labour and entrepreneur, must work together.

ECONOMIST'S VIEW OF COST

Economists view cost as opportunity cost. He is not concerned about the real amount of money spent on a particular item but the value of the sacrificed alternative. For example, if an individual bought a shoe instead of a handset. The opportunity cost is the handset forgone.

ACCOUTANT'S VIEW OF COST

To an accountant, cost is the total amount of money spent to acquire a product.

TYPES OF COST

1. TOTAL COST (TC): Total cost may be defined as the total sum of fixed and variable costs incurred by an enterprise in the production of a particular commodity.

Total cost = Fixed cost + variable cost or Average cost x Quantity.

1. FIXED COST (FC): Fixed cost, also called overhead cost or unavoidable cost, is defined as the cost that remains constant in the short run no matter the level of output. E.g. money spent on rent, etc.

FC = Total Cost – Variable or TFC = AFC x Q

1. VARIABLE COST (COST): Variable cost, also called direct cost, is defined as the cost of production which varies or changes directly with the level of output. E.g. cost of raw materials, labour, etc. VC = TC – FC

1. AVERAGE COST (AC) OR AVERAGE TOTAL COST (ATC): Average cost is defined as cost per unit of output.

Average cost is the total cost of producing a given output divided by the number of units of output.

1. AVERAGE VARIABLE COST: The average variable cost is the cost per unit of variable cost of output.

AVC =

1. AVERAGE FIXED COST (AFC): This is the fixed cost per unit of output.

AFC =

1. MARGINAL COST (MC): It is referred to as incremental cost. Marginal cost is the addition to total cost needed to produce a unit increase in output.

Marginal cost does not depend on fixed cost but on variable cost, because fixed cost do not vary with the level of output.

COST SCHEDULE OF A FIRM

Unit of Output (TQ)	Total Fixed Cost (TFC)	Total Variable Cost (TVC)	Total Cost (TC)	Average Total Cost (ATC)	Average Variable Cost (AVC)	Average Fixed Cost (AFC)	Marginal Cost (Mc)
1	20	12	32	32	12	20	-
2	20	14	34	17	7	10	2
3	20	16	36	12	5.3	6.6	2
4	20	18	38	9.5	4.5	5	2
5	20	20	40	8	4	4	2
6	20	22	42	7	3.6	3.3	2
7	20	24	44	6.3	3.4	2.8	2

ASSIGNMENT

COST SCHEDULE OF A FIRM

Output	(TFC)	(TVC)	(TC)	(AVC)	(AFC)	(Mc)
0	100	1	C	0	100	-
1	100	40	D	40	140	K
2	100	A	164	G	84	L
3	100	B	180	H	60	8
4	100	88	188	22	I	8
5	100	96	196	19.5	J	8

WEEK 3

REVENUE CONCEPT

Revenue refers to the income derived by a producer or firm from business activities or from the sale of his or its products.

TYPES OF REVENUE

1. TOTA REVENUE (TR): This refers to the total income which a firm derives from the sale of its products.

Total Revenue = Price x Quantity (TR = PxQ)

1. AVERAGE REVENUE (A.R): The average revenue is the same as the price per unit of the commodity. It is derived by dividing the total revenue by the total unit of the commodity sold.

= = P

1. Marginal revenue: This is the additional income earned by selling an extra unit of a commodity.

REVENUE SCHEDULE OF A FIRM

Quantity sold (Output)	Total revenue (N)	Average Revenue (Unit Price) N	Napinal Revenue (N)
0	0	0	-
1	400	400	400
2	700	350	300
3	900	300	200
4	1040	260	140
5	1150	230	110
6	1200	200	50

The most profitable output is the point where marginal cost is equal to marginal revenue.

ASSIGNMENT

TABLE OF A FIRM OF REVENUE AND COST

Quantity of yams (kg)	Total Revenue (TR) N	Marginal Revenue (ML) N	Total Cost (TC) N	Marginal Cost (MC) N
0	0	-	5	-
1	9	9	8	3
2	18	9	10	1
3	24	6	21	5
4	28	Q	25	4
5	30	2	25	U
6	P	1	25	0
7	28	-3	25	1
8	24	R	24	-2

Use the table to answer the following questions

1. Complete the table by calculating the missing figures P, Q, R, S, T and U
2. At what output is profit maximized
3. Calculate the profit when the quantity sold is 5
4. At what output does MC begins to rise

WEEK 4

ECONOMIC SYSTEMS

An economic system may be defined as a medium or an organized way by which the means of production in a state are utilized in order to satisfy human wants.

The major types of economic systems are capitalism, socialism, and the mixed economy.

CAPITALISM OR FREE MARKET ECONOMY

Capitalism or free market economy may be defined as the type of economic system in which the means of production are owned and controlled by private individuals.

A country which practices capitalism could be said to have a market economy, a laissez-faire economy, an uncontrolled economy, a free enterprises, or a capitalist economy.

Examples of countries which practice capitalism include the U.S.A, Japan, Australia, France, Italy etc.

FEATURES OF CAPTALISM

1. Private ownership of properties: There is high degree of private ownership and control of means of production with minimal participation by the state
2. Existence of competition: In a market economy there is competition among the various individuals and firms as a result of an effort to acquire wealth or control means of production.
3. Profit maximization motive: Capitalism is characterized by high level of profit maximization by private investors.
4. Freedom of choice: Consumers in this economy are free to choose from a wide range of goods and services
5. Production and consumption are regulated by price system: The price system determines what producers have to produce, taking into consideration the demand of the consumers and the price offered for the goods
6. Development of individual initiatives: Individual initiatives are well developed in a market economy
7. Wealth accumulation: In a free market system wealth is accumulated by the capitalists.

ADVANTAGES OF CAPITALISM

1. Competition and rivalry lead to efficiency and full utilization of societal resources both human and materials
2. Freedom to own properties and factor of production
3. It promotes increased standard of living
4. It facilitates rapid economic growth and development
5. There is increased efficiency in production
6. Capitalism removes the tendency for the growth of dictatorship
7. Talent are fully utilized
8. It enhances technological development
9. Provision of alternatives choice
10. High standard of living

DISADVANTAGES OF CAPITALSIM

1. There may be waste and inefficiency in the use of productive resources as a result of unhealthy competition among the producers
2. There is an exploitation of consumers
3. It creates disparity of income and wealth. There is inequality in income and wealth in a capitalist economy
4. It creates monopoly: As a result of economic activities of a few individual investors, monopoly can easily be created
5. Profit maximization at all cost: In capitalist economy, private individuals are interested in making profit by all means.

SOCIALISM

Socialism also called centrally planned or controlled economic system is defined as type of economic system in which the means of production and distribution are collectively owned and controlled by the state (the government).

A country which practices socialism is said to have a controlled economy, a centrally planned economy, a socialist economy, or a command economy. Good examples of countries operating under socialism are Tanzania and Poland.

FEATURES OF SOCIALISM

1. State ownership of means of production: Ownership and control of industries resources and means of production and distribution are vested in the hands of the government. Private individuals are not allowed to own properties
2. Collective decision making: Decision on what to produce, how to produce and for whom to produce are taken jointly by the people
3. Promotion of social welfare: It is a system characterized by maximization of social welfare
4. Absence of competition: In this type of economic system, economic rivalry associated with capitalism is non-existent
5. Absence of profit motive: The major reason for carrying out productive activities is not to maximize profit but to provide for people’s welfare and raise the general standard of living
6. Allocation of goods and services is carried out by the central planning committee
7. Various committees are set up by the government to help in estimating people’s wants and to regulate production and consumption.

ADVANTAGES OF SOCIALISM

1. Equitable distribution of Income: Incomes are equitable or fairly distributed among the people based on their needs or wants
2. Job security: The interest of labour is protected in socialist economy. Jobs are secured, therefore, unemployment is minimal
3. Growth of private monopoly is checked: All productive resources are owned and controlled by the government
4. No overproduction of goods: Goods are produced according to the needs or wants of individuals. There is no room for excess capacity or over production.
5. Absence of exploitation: There is always absence of exploitation since government provides all the goods and services required by the citizens

6. Absence of economic rivalry: Economic rivalries among private individuals are absent in a socialist economy system.

DISADVANTAGES OF SOCIALISM

1. Absence of consumer choice and satisfaction: There is no room for consumer choice and satisfaction. Any goods produced must be accepted. Goods are provided on group basis. For example, there are teachers groups, nurses' group etc.
2. It suppresses individual initiatives
3. It shows down economic development.
4. Absence of competition: There is complete absence of competition in a socialist economy as all goods and services are provided by the government
5. It leads to state monopoly: As the state provides all essential goods and services for the citizen
6. Absence of creativity and innovation
7. Socialism may give rise to the growth of dictatorship

THE MIXED ECONOMY

Mixed economy may be defined as the type of economic system in which both the private and public ownership of means of production and distribution exist together in a country. Examples of countries which operate mixed economy are Britain, Nigeria, Mexico, etc.

FEATURES OF MIXED ECONOMY

1. Joint ownership of means of production
2. Joint decision: Decisions on what to produce, for whom to produce and how to produce are jointly taken by the government and the private sector.
3. Freedom of choice: There is consumer sovereignty. Consumers are free to make their choice from a wide variety of goods
4. Presence of competition since the means of production are owned by state and private, there is economic rivalry and competition
5. Freedom of production, distribution and consumption: This means of production and distribution are not centrally owned by the government
6. Government intervenes to regulate prices

ADVANTAGES OF MIXED ECONOMY

1. Equitable distribution of income: Mixed economy ensures that incomes are equitably distributed among the citizen.
2. There is freedom of choice: Consumers and producer in this type of economic system have a wide range of choice to make
3. It combines capitalism and socialism: Mixed economy combines the good qualities of both capitalism and socialism.
4. Encourages development of private initiative: It ensures the growth of entrepreneur.
5. It prevents monopoly: Monopoly is prevented because of the joint participation in economic activities by both the private sector and the state
6. Encourage growth and development: Joint efforts of both the government and private enterprises can lead to economic growth and development.

DISADVANTAGES OF MIXED ECONOMY

1. Inequality of wealth: Wealth is not equitable distributed as there is a wide gap between the rich and the poor
2. Emphasis is on profit: There is more emphasis on profit maximization at the expense of welfare for the citizen
3. Corruption and mismanagement: Mixed economy encourages corruption and mismanagement, especially in the public sectors
4. Leads to waste of resources: Public sector interference in economic activities may lead to resources wastage
5. Exploitation of labour: Labour as a factor of production can be exploited by the public and private sectors
6. Lack of efficiency: There is lack of efficiency in productive activities and this leads to low productivity.

QUESTION: Compare and contrast capitalism and socialism

WEEK 5

LABOUR MARKET

Labour market is defined as a market which workers and employers are brought into contact and conditions of work are decided. It is made up of people who are looking for job, employers and government.

THE CONCEPT OF LABOUR FORCE

Labour force can be defined as the total number of people of working age in a country who are gainfully employed and those who fall within the age bracket, capable and willing to work by law but have no work to do in a country at a particular period of time.

Labour force is the working population and it comprises all persons who have jobs and who are seeking for jobs in the labour market. They are between the age of 18 years and 60 years. Working population varies from one country to another.

FACTORS AFFECTING THE SUPPLY OF LABOUR OR SIZE OF LABOUR FORCE (WORKING POPULATION)

1. THE SIZE OF POPULATION: The higher the size of the population, the higher the working population and vice versa.
2. OFFICIAL SCHOOL LEAVING AGE: If the school leaving age is low, the proportion of labour force will be high and vice versa
3. OFFICIAL AGE OF RETIREMENT: If the age of retirement is raised the supply of labour will tend to increase because more people will be available for work
4. LEVEL OF REMUNRATION OR THE WAGE RATE: The extent of salaries, wages and other remunerations paid to the workers determines the number of people who may be willing to work.
5. MIGRATION: Immigration will increase and emigration will decrease the supply of labour.

MOBILITY OF LABOUR

The mobility of labour refers to the ease with which workers or labour can move from one occupation to another or from one geographical area to another.

TYPES OF LABOUR MOBILITY

1. OCCUPATIONAL MOBILITY OF LABOUR: This refers to the ease with which workers can move from one job to another. For instance, a messenger can easily change to become a cleaner or a farmer.
2. GEOGRAPHICAL MOBILITY OF LABOUR: This refers to the ease with which workers can move from one geographical location to another.e.g Port Harcourt to Jos.
3. INDUSTRIAL MOBILITY OF LABOUR: This refers to the ease with which workers can move within the same industry or from one industry to another.

Industrial mobility of labour has two aspect; vertical industrial mobility of labour and horizontal industrial mobility of labour.

Vertical mobility of labour usually takes the form of promotion with the same. For example, the Vice-Principal of a school could be promoted Principal.

Horizontal or lateral mobility of labour takes place when a worker move from one industry to another but still performs the same task occupies the same rank. For example, an Accountant can leave the Star Beer factory at Aba for the textile mills at Aba.

CAUSES OF MOBILITY OF LABOUR OR FACTORS INFLUENCING MOBILITY OF LABOUR

1. Unfavorable working condition
2. Marriage
3. Irregular payment of salaries
4. Promotion
5. Bad management
6. Climate
7. Lack of job security
8. Lack of social amenities
9. Accommodation problem
10. Political instability
11. Personal reasons.

THE EFFICIENCY OF LABOUR

The efficiency of labour refers to the extent or degree to which labour can be combined with other factors of production to yield maximum output.

In other words, efficiency of labour is the ability of labour to attain higher level of output without a reduction in the quality of output.

FACTORS DETERMINING EFFICIENCY OF LABOUR

1. Education and training
2. General working conditions
3. Health of workers and availability of improved health facilities
4. The amount of incentives or remuneration given to workers
5. Efficiency of other factors of production
6. Degree of specialization and division of labour
7. Welfare services and state of mind of the worker
8. Weather conditions

QUESTIONS

1. What factors do you consider likely to affect the efficiency of labour in your country
2. Distinguish between occupation and geographical mobility of labour

WEEK 6

SUPPLY OF LABOUR

Supply of labour may be defined as the total number of people of working age offered for employment at a particular time and at a given wage rate.

This supply of labour also relates to the quantity of labour.

FACTOS AFFECTING SUPPLY OF LABOUR

1. The size of population and population growth
2. The age structure of the population
3. The official school leaving age
4. Official age of entry and retirement
5. The number of people the pursue full time education beyond the normal school leaving age
6. The number of married women who take up paid employment
7. The number of people of working ages in the country who are disable or incapacitated
8. The number of able bodied person in the country who are not willing to work
9. The number of working hours per week
10. The rate of remuneration or the wage rate

DEMAND FOR LABOUR

Demand for labour may be defined as the total number of workers employer are willing and ready to employ or hire at a particular time and at a given wage rate

The demand for labour relates to the quantity of human effort required by entrepreneur for carrying out production.

The demand for labour is a derived demand

FACTORS INFLUENCING DEMAND FOR LABOUR

1. The number of industries in a country
2. The nature of industries
3. The quantity of other factors of production available
4. The price of labour or the wage rate
5. The state of employment in the economy
6. The demand for labour output and the price level within the economy.

WAGES

Wages refers to payment to labour on a daily or weekly basis

Salaries refer to the payment made to labour on a monthly basis.

TYPES OF WAGES

1. Nominal Wages: It is the actual money paid for labour in a particular period of time
2. Real Wages: This is the purchasing power of labour. Real wages refer to wages in term of goods and services the wages can buy.

DETERMINATION OF WAGERS

1. The forces of demand and supply in a market economy. The wages of labour in a market economy can be determined through the forces of demand and supply.

Wage rate in a competitive labour market can be determined in the following manner

1. When the supply of labour exceeds the demand, wage rate will fall
2. When the demand for labour exceeds the supply, wage rate will rise

- When the demand for labour equals the supply wage rate will be favourable to both the employer and the employee.

1. Government activities and policies: Government institution and wages commissions set up by the government help in determining wages, especially in the public services.

In fixing wages, the government agency or wage commission takes the following factors into consideration.

1. Cost of living: The higher the cost of living, the higher wages are likely to be
2. Level of productivity: The greater the level of production in the country, the higher the wage rate.

- Type of occupation: The wage structure varies from one occupation to another.

FACTORS RESPONSIBLE FOR VARIATION IN WAGES

1. Differences in cost of training
2. Differences in period of training

3. Skill needed at work
4. The bargaining power of the trade union
5. Degree of risk involved in an occupation
6. The prestige attached to an occupation.

UNEMPLOYMENT

Unemployment is defined as a situation in which persons of working age, able and willing to work are unable to find paid employment.

Unemployment of labour occurs in the economy if there are people who are capable of working and who are qualified by age, law, custom, and other factors to work, but who cannot find jobs.

TYPES OF UNEMPLOYMENT

1. Structural Unemployment: This is the type of unemployment which arises as a result of changes in the pattern of demand of certain commodity. If the demand is low, it could lead to industries reducing their workforce and this eventually results in structure unemployment.
2. Seasonal Unemployment: This type of unemployment occurs in industries whose production is subject to seasonal variations.
3. Voluntary Unemployment: Voluntary unemployment arises from the deliberate refusal of labour to work, even though employment opportunities exist (and such people are fit to work).
4. Technological Unemployment: This is a type of unemployment which results when industries introduce capital intensive technique of production.
5. Frictional Unemployment: It is associated with switching from one job to another. Frictional unemployment occurs in the process of search for new jobs. The time it takes to find new jobs will cause frictional unemployment.
6. Casual Unemployment: It usually occurs with jobs of an unsettled nature or jobs which are not permanent
7. Residual Unemployment: This type of unemployment includes all these who cannot work due to physical or mental disabilities.
8. Cyclical Unemployment: This type of unemployment occurs during the depression or recession stage of the business or trade cycle.
9. Disguised Unemployment: Disguised unemployment occurs if workers are not efficiently utilized in production or if they are underemployed.

CAUSES OF UNEMPLOYMENT

1. Economic recession
2. Changes in the pattern of demand
3. Seasonal changes in agricultural and other forms of production
4. Economic reform policies
5. Inadequate educational curricular and poor educational planning
6. Use of capital intensive methods of production
7. Rapid population growth and slow rate of economic growth
8. Physical and mental disability.

CONSEQUENCES OF UNEMPLOYMENT

1. Increase in crime rate
2. Threat to peace and stability
3. Waste of human resources
4. High rate of dependency
5. Migration

SOLUTIONS TO PROBLEMS OF UNEMPLOYMENT

1. Industrialization
2. Population control
3. Redesigning educational system
4. Proper development plans
5. Provision of social amenities

TRADE UNION

A trade union is an association of workers formed to enable the members to take collective, rather than individual, action against their employers in matters relating to their welfare and conditions of work. E.g. Academic staff union of universities (ASUU), National union of petroleum and Natural Gas Workers (NUPENG) etc.

OBJECTIVES OF TRADE UNION

1. To secure good wages for members
2. To safeguard interest of members
3. Helps in policy formulated
4. They also regulate the entry qualifications into the various professions
5. Job security
6. To secure better working conditions

WEAPONS OR INSTRUMENTS OF TRADE UNION

1. Negotiation or Collective bargaining with Employers: Collective bargaining is a process by which a trade union and the management try to resolve their differences through joint negotiations.
2. Threat to Strike: The trade union my give an ultimatum to the employer or to the management informing them of an impending strike by the union if their demands are not met within a given period of time.
3. Work to Rule: This involves the workers deliberately showing down operations in order to press down their demands for improved conditions of services
4. Picket lines: This involves the workers refusing to work, parading and sometimes blocking the entrance to the plant or factory
5. Strike: A strike involves workers refusing to work and staying away completely from their place of work until their demands are met.

QUESTIONS

1. Explain the factors which influence the level of employment in your country

2. Distinguish between labour and labour force
3. State four reasons for difference in earning among workers.

WEEK 7

MARKET STRUCTURE

In a physical sense, a market means a fixed place where people meet to buy and sell goods; that is, a market place.

In economics, a market can be defined as any arrangement, system or organization whereby buyers and sellers of goods are services are brought into contact with one another for the purpose of transacting business or for the purpose of buying and selling.

TYPES OF MARKET

1. **Market based on types of commodities**
2. Consumer goods market: It is made up of buyer and sellers of consumer goods
3. Labour market: It is made up of workers and employers and deals with the recruitment of unskilled, semi-skilled, skilled and professional workers.

- Capital Market and Money Market: The capital market is a financial market which deals in long-term loans. The money market deals in short-term loans.

1. Stock-Exchange Market: It consists of buyers and sellers of second-hand securities.
2. Foreign Exchange Market: This is a market that deals with foreign exchange transaction.
3. **Market Based on the Channel of Distribution**
4. Wholesale market
5. Retail market
6. **Types of market according to Price**
7. Perfect market
8. Imperfect market

PERFECT MARKET

A perfect market is a market structure in which prices are determined by the forces of demand and supply.

CONDITIONS NECESSARY FOR A PERFECT MARKET

1. Homogeneous commodity and existence of close substitutes: The commodities bought and sold must be homogeneous; that is identical. They must be of the same size, shape, colour, etc.
2. Large buyer and sellers: There is a large number of buyers and sellers, each of whom has no control over the prevailing prices
3. Free entry and exit: In this type of market, there is no barrier to entry and exit from the industry. There is no form of restriction.

4. No preferential treatment: All buyers must be treated equally.
5. Perfect knowledge: There must be a perfect information or knowledge about the price of the good or services.
6. Uniformity of prices: Each perfect competitor is a price taker
7. In a perfect market there are no transport costs.
8. Portable goods: The goods to be sold must be easy to carry from the place to place
9. Easy transfer of factors of production
10. At equilibrium price the marginal cost (MC) equal marginal revenue (MR).

PRICE AND QUALITY DETERMINATION UNDER PERFECT COMPETITION

Price and quality are determined by the interaction of the forces of supply and demand. All the firms in the market are PRICE TAKERS.

SHORT-RUN AND LONG RUN POSITIONS OF A PERFECT COMPETITOR

EQUILIBIRIUM IN THE SHORT-RUN

The short run is the period in which a firm can vary its output by changing the variable factors of production. In the short-run, a firm can make abnormal profit. Since the market determines the prices at which goods should be sold, a firm can choose the quantity that will maximize its profits.

Equilibrium occurs when the following conditions are satisfied,

1. Marginal cost is equal to marginal revenue (MC=MR)
2. Marginal cost should cut the marginal revenue from below at the point of equality.

In the figure below, at point **b** price is greater than marginal cost; therefore it is better to increase output. The firm is at equilibrium at point **S** where **MC=MR=P=AR**. At this point, the firm is making abnormal profit. This is represented by rectangle PORS.

EQUILIBRUM IN THE LONG- RUN

The long run is a period in which all cost varies with the level of output. During the period, firms can adjust their scale of operation. In order to enjoy the abnormal profit, new firm are likely to enter the market with the entrance of new firms, supply will increase and price may fall if demand remains constant, therefore both the new and old firms will adjust their output to the new price. In the long run, the firms will make normal profit because all the firms will just be covering average cost. Equilibrium will be reached when marginal cost equal to marginal revenue and price (MC=MR=AC=AR=P=D+).

The firm produces Oqi and sell at OP. The producer will be making normal profit because the average cost is tangential to average revenue.

LOSS OF A COMPETITIVE FIRM

A perfect firm will be making loss if the price is below the average cost.

In the figure above, at price **P**, the firm suffers losses since price is below the average cost. Loss is therefore represented by **apbc**. If the firm cannot cover its average cost it may close down. This may be the point of exit from the market.

QUESTIONS

1. In what two ways do consumers benefit from perfect competition?
2. Outline any two differences between monopoly and perfect competition.

WEEK 8: **IMPERFECT MARKET**

An imperfect market may be defined as the market in which prices of goods or services can easily be influenced by the sellers or buyers.

In other words, an imperfect market is a market situation in which the force of

demand and supply do not operate freely.

TYPES OF IMPERFECT MARKET

1. Monopolistic Competition: This is a market situation in which there are many producers or sellers producing or selling identical but non-homogenous commodities. Good are not homogenous due to branding or use of trade- marks or the services offered may differ in quality.
2. Oligopoly: This is an imperfect market in which there are few producers or sellers of the same commodity. Also known as colluding oligopoly.
3. Duopoly: This is a market situation in which there are only two sellers or producers of commodity but there are many buyers.
4. Monopsony: This is an imperfect market in which there is a single seller of a particular good or service.

CONDITIONS FOR IMPERFECT MARKET

1. Heterogeneous commodity
2. There is only one or very few buyers and or sellers
3. There is an imperfect knowledge of market transactions
4. There is no free entry into or exit from the market
5. Preferential treatment exists
6. No uniform prices
7. There are transport costs involved in moving goods and factors of production
8. Goods are not portable

MONOPOLY

Monopoly is a market situation in which an individual or firm controls the total output or supply of a good or service which has no close substitutes.

FEATURES OF MONOPOLISTIC MARKET

1. There is only one seller or a combination of firms under one management. The single seller has no rivals
2. The monopolist has the ability to control either price or output, but not both at the same time
3. Entry is restricted or barred in monopolistic markets
4. There is no prefect substitute for the products of the monopolist
5. There is an imperfect knowledge of market transactions

TYPES OR CAUSES OF MONOPOLY

1. Natural monopoly: Nature does not distribute its resources evenly over the earth
2. Social or government monopoly
3. Legal monopoly: Monopoly may be created by law
4. Voluntary monopoly: This type of monopoly is formed when firms willingly merge or combine
5. Technological monopoly: This is a monopoly which arises as a result of technological development
6. Patent law: This law confers on a firm special privilege to protect its new invention and it tends to scare away other competitors.

ADVANTAGES OF MONOPOLY

1. Economies of scale due to greater efficient and full utilization of productive resources
2. Reduced risk of over-production
3. Avoids duplication or wastage
4. Greater efficiency in organisation
5. Centralized management
6. Product standardization

DISADVANTAGES OF MONOPOLY

1. Profiteering and exploitation of consumers
2. Restriction of output, and scarcity of product
3. Restriction of consumers" choice
4. A lack of enterprise and insufficiency
5. Resource misallocation

CONTROL OF MONOPOLY

1. Provision of substitute products
2. Privitisation
3. Stoppage of issuance of patent law
4. Discouraging merging of firms
5. Reduction of tariff

Equilibrium of the Monopolist

Price and output determination: A monopolist cannot fix price and output at the same time. He has two options;

1. To fix price and leave the output to be determined by the demand
2. To fix output to be produced and allow the price to be determined by the demand

The demand curve facing the monopolist is downward sloping because the firm is also the industry. The most profitable output is where MC=MR. The monopolist can earn abnormal profit, both in the short run and long run. In the short run, a monopolist will be at equilibrium if the following conditions are fulfilled.

1. The marginal cost is equal to marginal (MC=MR).
2. Marginal cost cuts marginal revenue from below. The slope of MC is greater than the slope of MR at the point of intersection. In figure below, the monopolist is at equilibrium at point S where MC=MR and MC cut MR from below. At the point of equilibrium quantity produced is OQ1 which the price is OP. He is able to cover both the average cost and marginal cost. The monopolist realizes excess profit which is equal to the shaded portion PBCD.

MONOPOLIST EARNING NORMAL PROFIT

A monopolist can also make normal profit. The equality of marginal cost and marginal revenue at point b determines the quality Q1 which is sold at price A. The monopolist earns normal profit when average cost curve is tangential to the average revenue at this level of output.

MONOPOLIST EARNING LOSS

In a monopoly market, loss can be made if the variable cost is outside the revenue area. The equilibrium position is that MC=MR. The price of the monopolist as fixed by the demand does not cover the average cost. Therefore, there can be loss. This will be illustrated below.

Total Revenue = bdoQ1

Total Cost = aocQ1

Loss = abcd

The loss is represented by rectangle abcd. The average cost is above the average revenue. It simply means that the monopolist cannot cover its lost

Questions

1. Output any two differences between monopoly and perfect competition
2. Explain the following,
3. Monopolistic competitive market
4. Oligopoly

- **WEEK 9: INDUSTRIES IN NIGERIA**

Meaning Industry

An industry consists of a group of firms producing broadly similar commodities. Examples are the shoe industry, the transport industry, the cement industry, etc.

The production side of business activity is referred as industry. It is a business activity, which is related to the raising, producing, processing or manufacturing of products.

The products are consumer's goods as well as producer's goods. Consumer goods are goods, which are used finally by consumers. E.g. Food grains, textiles, cosmetics, VCR, etc. Producer's goods are the goods used by manufacturers for producing some other goods. E.g. Machinery, tools, equipment’s, etc.

Expansion of trade and commerce depends on industrial growth. It represents the supply side of market.

Firm

The firm is an independently administered business unit carrying out production, construction, or distribution activities. Examples of firm in Nigeria are Dangote cement, Cadbury Nigeria Plc.

PLANT

This is the same as the factory. It consists of the tools, equipment, machines and buildings of a business concern. It is a business establishment or the actual place where production is organized. E.g Aladja steel plant, etc.

Types of Industries

1. Primary Industry

Primary industry is concerned with production of goods with the help of nature. It is a nature-oriented industry, which requires very little human effort. E.g. Agriculture, farming, forestry, fishing, horticulture, etc.

2. Genetic Industry

Genetic industries are engaged in re-production and multiplication of certain spices of plants and animals with the object of sale. The main aim is to earn profit from such sale. E.g. plant nurseries, cattle rearing, poultry, cattle breeding, etc.

3. Extractive Industry

Extractive industry is concerned with extraction or drawing out goods from the soil, air or water. Generally products of extractive industries come in raw form and they are used by manufacturing and construction industries for producing finished products. E.g. mining industry, coal mineral, oil industry, iron ore, extraction of timber and rubber from forests, etc.

4. Manufacturing Industry

Manufacturing industries are engaged in transforming raw material into finished product with the help of machines and manpower. The finished goods can be either consumer goods or producer goods. E.g. textiles, chemicals, sugar industry, paper industry, etc.

5. Construction Industry

Construction industries take up the work of construction of buildings, bridges, roads, dams, canals, etc. This industry is different from all other types of industry because in case of other industries goods can be produced at one place and sold at another place. But goods produced and sold by constructive industry are erected at one place.

6. Service Industry

In modern times service sector plays an important role in the development of the nation and therefore it is named as service industry. The main industries, which fall under this category, include hotel industry, tourism industry, entertainment industry, etc.

WEEK10: **LOCATION OF INDUSTRY**

Location of industry refers to the siting of an industry in a particular place.

Factors Influencing Industrial Location

Generally, location of industries is influenced by economic considerations though certain non-economic considerations also might influence the location of some industries. Maximisation of profit which also implies cost minimization is the most important goal in their choice of particular places for the location of industries. There are several factors which pull the industry to a particular place. Some of the major factors influencing location are discussed below:

1. **Availability of raw materials:**In determining the location of an industry, nearness to sources of raw material is of vital importance. Nearness to the sources of raw materials would reduce the cost of production of the industry. For most of the major industries, the cost of raw materials form the bulk of the total cost. Therefore, most of the agro-based and forest-based industries are located in the vicinity of the sources of raw material supply.
2. **Availability of Labour:**Adequate supply of cheap and skilled labour is necessary for and industry. The attraction of an industry towards labour centres depends on the ratio of labour cost to the total cost of production which Weber calls ‘Labour cost of Index’. The availability

of skilled workers in the interior parts of Bombay region was one of the factors responsible for the initial concentration of cotton textile industry in the region.

3. **Proximity to Markets:**Access to markets is an important factor which the entrepreneur must take into consideration. Industries producing perishable or bulky commodities which cannot be transported over long distance are generally located in close proximity to markets. Industries located near the markets could be able to reduce the costs of transport in distributing the finished product as in the case of bread and bakery, ice, tins, cans manufacturing, etc. Accessibility of markets is more important in the case of industries manufacturing consumer goods rather than producer goods.
4. **Transport Facilities:**Transport facilities, generally, influence the location of industry. The transportation with its three modes, i.e., water, road, and rail collectively plays an important role. So the junction points of water-ways, roadways and railways become humming centres of industrial activity. Further, the modes and rates of transport and transport policy of Government considerably affect the location of industrial units. The heavy concentration of cotton textile industry in Bombay has been due to the cheap and excellent transportation network both in regard to raw materials and markets.
5. **Power:**Another factor influencing the location of an industry is the availability of cheap power. Water, wind, coal, gas, oil and electricity are the chief sources of power. Both water and wind power were widely sought at sources of power supply before the invention of steam engine. During the nineteenth century, nearness to coal-fields became the principal locating influence on the setting up of new industries, particularly, for heavy industries. With the introduction of other sources of power like electricity, gas, oil, etc. the power factor became more flexible leading to dispersal and decentralization of industries.
6. **Site and Services:**Existence of public utility services, cheapness of the value of the site, amenities attached to a particular site like level of ground, the nature of vegetation and location of allied activities influence the location of an industry to a certain extent. The government has classified some areas as backward areas where the entrepreneurs would be granted various incentives like subsidies, or provision of finance at concessional rate, or supply of power a cheaper rates and provision of education and training facilities. Some entrepreneurs induced by such incentives may come forward to locate their units in such areas.
7. **Finance**: Finance is required for the setting up of an industry, for its running, and also at the time of its expansion. The availability of capital at cheap rates of interests and in adequate amount is a dominating factor influencing industrial location. For instance, a review of locational history of Indian cotton textile industry indicates that concentration of the industry in and around Bombay in the early days was mainly due to the presence of rich and enterprising Parsi and Bhatia merchants, who supplied vast financial resources.
8. **Natural and Climatic Considerations:**Natural and climatic considerations include the level of ground, topography of a region, water facilities, drainage facilities, disposal of waste products, etc. These factors sometimes influence the location of industries. For instance, in the case of cotton textile industry, humid climate provides an added advantage since the frequency of yarn breakage is low. The humid climate of Bombay in India and Manchester in Britain offered great scope for the development of cotton textile industry in those centres.
9. **Personal Factors:**In deciding location of industrial units, sometimes an entrepreneur may have personal preferences and prejudices against certain localities. For instance, Mr. Ford started to manufacture motor cars in Detroit simply because it was his home-town. In such cases, personal factor dominates other considerations. However, this kind of domination is rare.
10. **Strategic Considerations:**In modern times, strategic considerations are playing a vital role in determining industrial location. During war-time a safe location is assuming special significance. This is because in times of war the main targets of air attacks would be armament and ammunition factories and industries supplying other commodities which are required for war. The Russian experience during the Second World War provides and interesting example.

11. **External Economies:**External economies also exert considerable influence on the location of industries. External economies arise due to the growth of specialized subsidiary activities when a particular industry is mainly localized at a particular centre with port and shipping facilities. External economies could also be enjoyed when a large number of industrial units in the same industry were located in close proximity to one another.
12. **Miscellaneous Factors:**Historical incidents also play a dominating role in determining the location of industries in certain cases. The development of cotton-textile industry in Lancashire provides an interesting example for this. Further, the size of and industrial unit would also have much influence in choosing location. This is because the size of industrial units depends upon the radius of the circle within which they can profitably distribute their goods and upon the density of population living within the circle.

LOCALISATION OF INDUSTRIES

Localisation of industries refers to the concentration of many firms of an industry in a particular area.

Advantages And Disadvantages Of Localisation

Localisation has both merits and limits. They are enumerated below.

Advantages

1. Reputation – The place where an industry is localised gains reputation and so do the products produced there. As a consequent, articles bearing the name of that location find wide markets such as Sheffield cutlery, Swiss watches Ludhiana Hosiery etc.
2. Skilled Labour – Localisation escorts to specialisation in particular trades. As a consequence, labourers skilled in those trades are fascinated to that place. The localised industry is continuously fed by a regular supply of skilled labour that also attracts new firms into the industry. Further, there is local supply of skilled labour that children of the labourers accede from them. The enhancements of the watch industry in Switzerland, of the shawl industry in Kashmir etc are primarily due to this factor.
3. Growth of Facilities – Focus of an industry in specified region leads to the development of specific facilities there. To cater to the needs of the industry, banks and financial institutions, open their branches whereby the firms are able to get timely credit facilities. Railways and transport concerns allow exceptional transport facilities which the firms make use of bringing materials and transporting goods. Likewise, insurance companies give insurance facilities and thus indemnify risk of fire, accidents, thefts etc.
4. Subsidiary industries – Where industries are localised, subsidiary industries grow up to supply machines, tools, implements and other materials and to utilise their by-products. For instance, where the sugar industry is localised, plants to produce sugar machinery tools from molasses and for rearing poultry which utilise molasses in nosh.
5. Employment Opportunities – As an effect from the above, with the localisation of an industry in a particular locality and the establishment of subsidiary industries, employment opportunities considerably increase in that region.

6. Common Problems – All concerns form an association to solve their common difficulties. This connection secures various types of facilities from the government and the other agencies for expanding business establish research labs, publishes technical and trade journals and opens training centres for technical personnel. As a consequence all firms benefits.
7. Economy Gains – Localisation leads to the lowering of production costs and improvement in the quality of the products when the firms benefits from the availability of skilled labour, timely credit, quality materials, research facilities, market and transport facilities etc. Also the trade gains through the standing of the place, the people gain through larger employment opportunities, the government gains through larger tax revenue and thus the economy gains on the whole.

Disadvantages

Also localisation is not an unmixed go-ahead. It has its limitations.

1. Dependence – When an industry is localised in a particular locality, it makes the economy dependant for its requirements of the products manufactured there. Such dependence is dangerous in the event of war, a misery, or a natural disaster since the supplies of the articles will be disturbed and the whole financial system will endure.
2. Social Problems – Localisation of industries in a particular locality creates many social problems such as congestion, emergence of slums, accidents, strikes etc. These adversely affect the efficiency of labour and the productive ability of the industry.
3. Limited Employment – Where an industry is localised, employment opportunities are limited to a particular type of labour. In the event of a slump in that industry, specialised labour fails to get surrogate employment in some other place. Once again, if such specialised labour organises itself into a powerful trade union, it can force the employers to pay higher wages which may raise the outlay of manufacture and unfavourably influence the industry.
4. Diseconomies – With the way of time, the focus of industries in a meticulous place, economies of scale may give path to diseconomies. Transport restricted access emerge. There are recurrent power break downs. Financial organizations are powerless to meet the credit needs of the entire industry due to fiscal severity. As noted prior, labour asks for higher wages and better and better living conditions. All these are inclined to raise costs of production and reduce production.
5. Regional Imbalance – Focus of industries in one region or locality leads to the top-sided development of the fiscal. When one industry is localised in a region it attracts more business men who establish other industries there since the accessibility of infrastructure facilities like power, transport, finance, labour etc. Thus such regions improve more whilst the other areas linger backward. Employment opportunities, the level of earnings and the standard of living amplifies at a much greater velocity in these areas relatively with other areas of the nation.

QUESTION:

1. What are the likely reasons for government participation in the location of industries in Nigeria?.
2. Give reasons for the siting of industries in rural areas of Nigeria.