NATIONAL TEACHERS' INSTITUTE

AND

NATIONAL OPEN UNIVERSITY OF NIGERIA

BACHELOR'S DEGREE PROGRAMME MANUAL

SCHOOL OF ARTS AND SOCIAL SCIENCES

SSE 222 SOCIO-ECONOMIC STRUCTURE OF NIGERIA

SSE 223 TEACHING SOCIAL STUDIES IN UPPER BASIC SCHOOLS (UBS)

(TESSA Integrated Manual)

Foreword

The National Teachers' Institute, Kaduna, was established in 1976 to provide in-service education for teachers through the open and distance learning system (DLS). As stipulated in Decree No. 7 (now Act No. 7) of the then Federal Military Government of Nigeria (1978), the Institute is **"charged with the duty of providing courses of instruction leading to the development, upgrading, and certification of teachers as specified in the relevant syllabus, using Distance Education techniques"**.

After several years of running the Nigeria Certificate in Education (NCE) programmes, the Institute deems it appropriate to upgrade the academic and professional qualifications of teachers to the degree level, in order to greatly raise the quality of teaching and learning in schools. Consequently, the Institute has embarked on offering degree programmes, in affiliation with the National Open University of Nigeria (NOUN), initially in the following areas:

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(ii) B.A. Ed. (Social Studies)
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(iv) B.Sc. Ed. (Mathematics)
(v) B.Sc. Ed. (Integrated Science)
(vi) B.Sc. Ed. (Physical & Health Education)

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For you to gain maximum benefits from the course materials, you are expected to study them very carefully/critically as well as acquaint yourself with their accompanying Study Guides. Furthermore, you are expected to work through the

assignments in every unit/module in order to ensure full mastery of the contents and concepts presented in the course materials. This will help you in assessing your learningachievement as you progress towards your degree. I wish you the best.

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TABLE CONTENTS

SSE 222 SOCIO-ECONOMIC STRUCTURE OF NIGERIA PAGES

Unit 1	Socio-Economic Structure of Nigeria ………………...	1
Unit 2	Concept of Market …………………………………….	5
Unit 3	Market Structure: Perfect Market…………………….	12
Unit 4	Market Structure: Imperfect Market and Oligopoly….	16
Unit 5	Market Structure: Monopoly…………………………..	19
Unit 6	Theory of Price: Demand………………………………	23
Unit 7	Theory of Price: Supply………………………………..	28
Unit 8	Equilibrium and Elasticity……………………………..	32
Unit 9	Income and Savings……………………………………	38
Unit 10	Consolidation…………………………………………..	41

SSE 223 TEACHING SOCIAL STUDIES IN UPPER BASIC SCHOOLS (UBS)

Unit 1	UBS Social Studies Syllabus, Scheme of Work, Diary, Unit Plan, Lesson Plan and Lesson Note ………..	45
Unit 2	Domains of Instructional Objectives in UBS Social Studies …………………………………………….	62
Unit 3	Resources for Teaching Social Studies………………….	74
Unit 4	Teaching Skills in UBS Social Studies…………………..	83
Unit 5	Innovative Methods, Techniques and Strategies for Teaching Social Studies……………………………….	95
Unit 6	Presentation and Construction Method…………………	113
Unit 7	Creative Activity, Dramatization, Questioning, Simulation and Games Method………………………..	123
Unit 8	Inquiry: Problem-Solving and Project Methods………...	140
Unit 9	Techniques of Evaluating UBS Social Studies and the Problems of Teaching UBS Social Studies………….	159
Unit 10	Consolidation……………………………………………..	169
Appendix I	………………………………………………………..	173
Appendix II	………………………………………………………..	180

SSE 222

SOCIO-ECONOMIC STRUCTURE OF NIGERIA

UNIT 1 SOCIO-ECONOMIC STRUCTURE OF NIGERIA

CONTENTS

1.0 Introduction
2.0 Objectives
  2.1 How to Study this Unit
  2.2 Word Study
3.0 Main Content
  3.1 Social Structure of a Society
  3.2 Types of Society
  3.3 Economic Structure of Nigeria
    3.3.1 Factors that Influence the Economic Structure of a Nation
    3.3.2 Major Economic Structures in Nigeria
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

Every human society/nation has a structure that is unique to it but that is not permanent. The structure of any given society changes from time to time to reflect the changing pattern of leadership, authority and interactions between individuals and groups, technological advancement, business activities, monetary policies and others. All these cumulate to define the social and economic structure of any nation.
This unit addresses the social and economic set up of Nigeria.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- say what social structure is;
- enumerate and explain the important components of social structure;
- define an economic structure;
- list four aspects of the economic structure of a society; and
- explain the factors that influence the economic structure of a nation.

2.1 HOW TO STUDY THIS UNIT

1. study this unit in a chronological order, do not take any part for granted.
2. try to read towards the realization of the stated objectives.
3. try to relate what you read in this unit to your own locality/community as it will help you understand the structure of Nigerian better.
4. ensure that you religiously do all the activities and TUTOR-MARKED ASSIGNMENTS in this unit.

2.2 WORD STUDY

Evolution: gradual process of change from simple to complex.

3.0 MAIN CONTENT

3.1 Social Structure of a Society

Social structure is the patterns of relationships that vary from one society to another among the basic components which provides the framework for all human societies.
The important components of social structure are:

- statuses
- roles
- groups and
- institutions.

Let us now take a look at these components one after the other.

An individual's **status** tells the position which he/she occupies that is, one's position as a teacher, principal/headmaster, student, nurse, banker, senator, etc. Status can be attached and/or accidental to an individual – **ascribed status** – or earned through hardwork – **achieved status**.

Roles are the dynamic behavioural aspects of status; an individual can role play the different statues that he occupies by acting them out. Thus, roles are a set of expected behaviour patterns, obligations and privileges attached to a given social status.

A group is a collection of people with shared interest interacting together in a sequential manner on the basis of shared expectations about each others behaviour. It is a vital and indispensible aspect of social structure. It could be primary or secondary.

Institutions are stable clusters/parts of values, norms, statues, roles and group that develops around a basic social need. It could be educational, religious, political, or economic.

Features/Characteristics of Institutions

Irrespective of the type of institution in a society, they all tend to share the same characteristics for instance

- They tend to be resistant to change.
- They tend to be interdependent.
- They tend to change together.
- They tend to be the site of major social problems.

3.2 Types of Society

There are two basic types of society: simple and complex societies

Simple societies are also referred to as primary groups. Members know each other very well; share emotional bonds, acquire a unique identity as individuals and receive assistance from other members whenever there are faced with challenges. The simple societies include community, folk, sacred, status and mechanized solidarity. The complex societies are mainly urban, secular, association, contract and organic societies with a given structure.

SELF ASSESSMENT EXERCISE I

1. a) What is social structure?
   b) List and explain the 4 important components of social structure.

3.3 Economic Structure of Nigeria

Economic structure is that pattern of economic and social relationship that exists among members of a given society. This pattern of relationship is based on the history, level of development, population, level of education and the available resources. The economic structure of any society deals precisely with all the business activities – small or large scale- engaged in for the good of all and sundry and the nation in general. The economic structure deals with the various types of markets, their structure, how prices are determined by the forces of demand and supply in a hypothetical economy. It also deals with income, savings and investment. These aspects will be discussed in the subsequent modules and their corresponding units of this book.

3.3.1 Factors that Influence the Economic Structure of a Nation

The factors that influence the economic structure of a nation are:

- population size
- wage level
- job opportunities
- knowledge of the labour market.

3.3.2 Major Economic Structures in Nigeria

In Nigeria there are three major economic structures they include:

- lower class
- middle class and
- upper class.

Each class/level of the society has certain attributes that are peculiar to it. These attributes include purchasing power of the individual, standard of living and socio-economic status that differ from individual to individual.

SELF ASSESSMENT EXERCISE II

1) What is economic structure?
2) List the aspects of the economic structure of a society.

4.0 SUMMARY AND CONCLUSION

Every society has a unique structure that changes with time due to certain factors. Society is divided into simple and complex. The important components of social structure are statuses, roles, groups and institutions.
Economic structure of a society tells all the business activities engaged in for the benefit of all in a nation.
Economic structure deals with the different types of markets, their structure, prices and pricing of goods and services, income and savings.

5.0 TUTOR-MARKED ASSIGNMENTS

Explain the features/characteristics of institutions found in any society.

6.0 REFERENCES

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UNIT 2 CONCEPT OF MARKET

CONTENTS

1.0 Introduction
2.0 Objectives
    2.1 How to Study this Unit
    2.2 Word Study
3.0 Main Content
    3.1 Concept of Market
    3.2 Types of Market
        3.2.1 Commodity Market
        3.2.2 Factor Market
        3.2.3 Labour Market
        3.2.4 Financial Market
        3.2.5 Capital Market
        3.2.6 Securities Market
        3.2.7 Money Market
        3.2.8 Discount Market
        3.2.9 Foreign Exchange Market
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

This unit focuses on the concept of market. We shall start by discussing what a market is first to the layman, then to an economist. The unit will further expose you to the various types of market that is operational in every economic set up in the world.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- say what a market is;
- enumerate and explain the three main types of markets found in any economic set-up; and
- say the two major forms of markets that is in operation in the world.

2.1 HOW TO STUDY THIS UNIT

As you read carefully through this unit, you should pay attention to the following:

1. The meaning and definition of a market
2. The various types of markets being discussed.
3. Compare what you knew before you started studying this unit about a market and the different types to what this unit has to offer.
4. Attempt all the activities and TUTOR-MARKED ASSIGNMENTS within this unit as you read.

2.2 WORD STUDY

e-commerce: trading through the web.

Securities: shares and stock sold in the stock exchange or issue houses.

Internal market: market within a country

International market: market between two or more countries.

3.0 MAIN CONTENT

3.1 Concept of Market

Market means different things to different people. Traditionally to the layman a market is a place where individuals buy and sell goods. With the world turning into a global village due to technological advancement, market has gone beyond the personal contact of buyers and sellers meeting in a particular place to transact business.

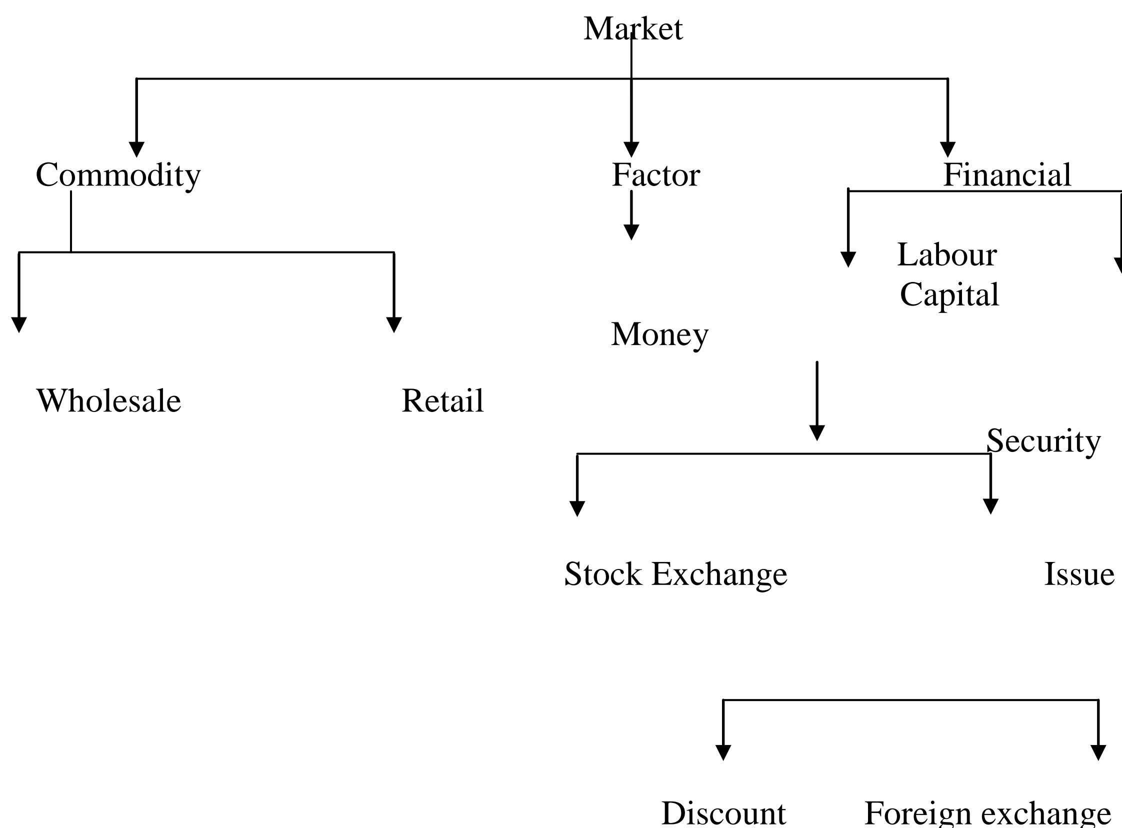
Market embraces all contacts whether personal or via e-commerce through which goods and services can be bought and sold. A market is therefore, any arraignment in which two or more individuals are brought into contact for the purpose of business transaction – buying and selling of goods and services. The contact can be personal or/and non-personal. It is personal when it is in the presence of two or more people in a given place. It is non-personal when goods and services are traded upon through telephone calls, and/or text messages, and/or e-mail messages, written letters, telegram and telex, etc. These efforts or arrangements in real life can bring people into contact and they can through these contacts agree on the prices for the goods and services. The buyer can pay for the goods and services through the bank – bank draft, and/or inter-bank money transfer – or post office – postal/money order. Sellers can deliver the commodities to the buyers via ships, vehicles, aircrafts, post office, speed post etc.

From the foregoing therefore, a market can be defined as an organizational framework/arrangement by which two or more individuals are bought into contact for the sole purpose of transacting business (that is buying and selling of goods and services).

3.2 Types of Markets

One of the ways of classifying markets is according to the degree of competition facing the economic agents (the producers or suppliers of the goods/commodities) that operate in the market. Let us now take a look at the various types of markets that can be found in any economy in the world.

Globally there are three main forms of markets –commodity, factor and financial market. The concept map below tells you at a glance what is within each broad group.



Let us now examine each of them with a view of bringing out the advantages imbedded in each of them.

3.2.1 Commodity Market

Commodity market is one where consumer goods like foodstuffs, clothes, provisions, books and stationeries, building materials etc are traded upon. This is the most populous type of market that everyone is identified with e.g. main market Onitsha; Oba market, Benin City; Dugbe market, Lagos; Kasuwa, Kaduna; Monday Market, Port Harcourt etc. In this market all the basic necessities of life are traded upon to help satisfy man's needs.

Advantages of a Commodity market

Commodity markets help to:

1) Create avenue for the buying and selling of consumer goods.
2) Ensure proper storage of goods until they are sold.
3) Encourage producers to remain in the production process as it provides market for their finished products.
4) Raise the level of economic activities in a country. Thus, it increases the revenue accruing to countries.
5) Stabilize prices of goods and services over a period of time.
6) Provide revenue to the government through taxes, rates and levies collected first on the producing firms, then the sellers and then as VAT on the buyers.
7) Provide employment opportunities to the nationals of a country where it is practised.

3.2.2 Factor Market

Factor market is the one where the factors of production are bought and sold. The prices in the market are rent paid for land, factory building, salary and wages for labour.

Advantages of factor market

1) It facilitates the sales and buying of factors of production.
2) Owners of properties are able to come in contact with buyers who are willing and able to buy and/or pay for properties.
3) It facilitates leasing/hiring of equipment
4) It provides revenue to the government through property tax.
5) It creates employment opportunities for interested applicants.

3.2.3 Labour Market

A labour market is one in which individuals offer and hire labour services. Here the buyers are the entrepreneurs or personnel managers of firms, while the sellers are potential workers, that is, those seeking for jobs/applicants – both skilled, semi skilled and unskilled. The prices are the wages and salaries agreed upon; while the ministry of labour/firms (labour office) where the individuals register their services for sales and/or hire can be termed the labour market.

Advantages of the labour market

Labour market assists in

1) Making labour services readily available to firms, governments and other employers.
2) Reducing unemployment problems as applicants are gainfully employed.
3) Alerting the general public about job vacancies and the type of labour force that is needed.
4) Assisting applicants to register their skills and/or services for employment.
5) Affording employers access to the different skills and labour that they need.
6) Providing government revenue through income tax.

3.2.4 Financial Market

It is a market for short-term (money market) and long term (capital market) loans. Its advantages are the same with those of capital and money market.

3.2.5 Capital Market

It is a market where long-term loans are traded upon by financial institutions like development and mortgage banks, international monetary institutions like establishment of firms.

Advantages of Capital Market

Capital market assists:

1) Governments, firms, businessmen by providing them medium and long term loans for investments.
2) Individuals by encouraging them to establish medium and large scale enterprises.
3) Government in the implementation of her economic policies.

4) Businessmen by giving them information on how to raise money for their businesses.
5) Government by making revenue available to her through profit and income taxes.
6) Job seekers by providing employment opportunities.
7) Newly established companies to raise their capital through sale of shares, stocks etc through their sales to the general public.
8) Investors and the general public to develop interest in economic activities.

3.2.6 Securities Market

Security market is an arrangement where shares and stock are bought and sold. Security market is made up of stock exchange and issue houses.

The stock exchange markets normally deals with old shares and stocks although it occasionally handles new shares and stocks. The sellers are known as jobbers while the buyers are called brokers. They act as agents or middlemen between the jobbers and the prospective buyers or sellers of old securities.

Those who wish to buy or sell old securities can approach a broker specifying the types and values of shares they wish to possess (buy) or dispose off (sell). The broker then contacts the jobber for the transaction. The broker quotes two prices – the lower price is for purchase while the higher price is for sale. Those who are desirous of either purchase or sale might do so at the quoted prices. In Nigeria the stock exchange market is at the Stock Exchange House, Lagos.

The issue houses: deals with the buying and selling of new shares. The sellers of new shares are floaters of new companies and the buyers are prospective shareholders/members of the public.

Advantages of Security Market

1) It enables individuals and businesses to sell their old and new shares stocks and bonds.
2) It fixes and stabilizes the prices of shares, stock and bonds.
3) It encourages individuals and businesses to develop interest in the purchase and sale of shares, stock and bonds.
4) It encourages the establishment of medium and large scale enterprises.
5) It generates revenue for the government through income tax.
6) It provides job seekers employment opportunities.

3.2.7 Money Market

Money market is an arrangement where individuals acquire short-term loan; that is; where people borrow money for a period of say one month to three years, for investment purposes like meeting an individuals crucial needs, setting up a small scale enterprise etc. The sellers in a money market are commercial banks; micro-finance house/banks, trust-saving banks etc while the buyers are businessmen, bill brokers, and reputable individuals in the society. The prices are the interest rates being charged.

Advantages of Money Market

1) It provides short term loans to businesses and companies.
2) It assists individuals, businesses and firms to transfer money from one person or country to another.
3) It encourages the establishment of small scale businesses.
4) It assists companies to expand their sales of shares, stock and bonds.
5) It affords businessmen information on how best to run their businesses.
6) It provides government revenue through profit and income taxes.
7) It creates and offers job seekers employment opportunities.

3.2.8 Discount Market

A discount market is one where bills – trade and treasury bills – are discounted before their maturity date. The buyers are called bill brokers in discount houses, commercial banks etc while the sellers are known as bills holders. The prices are the interest being charged.

Advantages of a Discount Market

1.) It makes money available to creditors by discounting their bills.
2.) It raises the level of economic activities.
3.) It boosts the activities of the money market.
4.) It provides government revenue through profit and income taxes.
5.) It provides job seekers with employment opportunities.

3.2.9 Foreign Exchange Market

Foreign exchange market is an arrangement where businessmen, travellers and private individuals that have their wards and relations in foreign lands etc buy and sell foreign currencies like the US Dollar, Pound Sterling, etc. The sellers are the Central Bank of Nigeria, merchant and commercial banks. Foreign currencies are also being sold in the 'black market'. This is illegal and should not be encouraged. The price is the exchange rate.

Advantages of the Foreign Exchange Market

1) It makes foreign currencies available to individuals, businessmen and intending travelers.
2) It facilitates the sales of foreign currencies to interested users.
3) It encourages and facilitates international trade.
4) It generates revenue for the government through income and profit taxes.
5) It provides job seekers with employment opportunities.

SELF ASSESSMENT EXERCISE I

1. a) What is a market?
   b) List and explain the three main types of markets found in any economy?

4.0 SUMMARY AND CONCLUSION

In this unit we examined the concept of market, the various types and the advantages imbedded in them.

- A market is any arrangement where two or more individuals are brought into contact for the sole purpose of transacting business.
- The three main types of markets found in every country are commodity, factor and financial markets. These markets contribute a lot to the development of the economic well being of individuals and the countries of the world.

5.0 TUTOR-MARKED ASSIGNMENT

With the aid of a diagram, illustrate the different types of market found in any hypothetical economy.

6.0 REFERENCES

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UNIT 3 MARKET STRUCTURE: PERFECT MARKET

CONTENTS

1.0 Introduction
2.0 Objectives
 2.1 How to Study this Unit
 2.2 Word Study
3.0 Main Content
 3.1 The Yoruba People
 3.2 The Benin People
 3.3 The Igbo People
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

This unit is meant to teach you and make you learn the meaning of market structure and its different types. The unit will go a step further to expose you to the distinguishing features of a perfect market in any economy.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- say what market structure is
- enumerate the major types of market structure in any economy
- explain what a perfect market is
- discuss the features of a perfect market.

2.1 HOW TO STUDY THIS UNIT

As you read through this unit

1. Take note of the two definitions – market structure and perfect market.
2. Relate the conditions inherent in a perfect market to what is tenable in the market in your locality.
3. Do all the activities and TUTOR-MARKED ASSIGNMENTs in the unit.

2.2 WORD STUDY

Firm: number of firms (sellers) in an industry.

Product: extent of good differentiation: identical or differentiated.

Price: price policy of an industry: fixed or not fixed.

Entry: procedure for coming into an industry: free or not free

3.0 MAIN CONTENT

3.1 Meaning of Market Structure

You are going to learn the structural make up of different types of market now so as to enable you differentiate them at a glance.

Market structure is the structural conditions of an industry that exert influence on the conduct and performance of firms that sell in a market. It is the features of a market that affect the competitive behaviour, conduct and performance of firms in a particular industry. It can also be seen as the market characteristics, characteristics conduct and performance of firms in a market or the various firms competing in a market.

From the foregoing, market structure can be defined as the characteristics of a market that affect the behaviour and performance of firms that sell in a market.

3.2 Features of a Market Structure

Market structure has four major features in any economy. They are firm, product, price and entry. Let us now explain them one after the other with a view of giving you a better understanding of them.

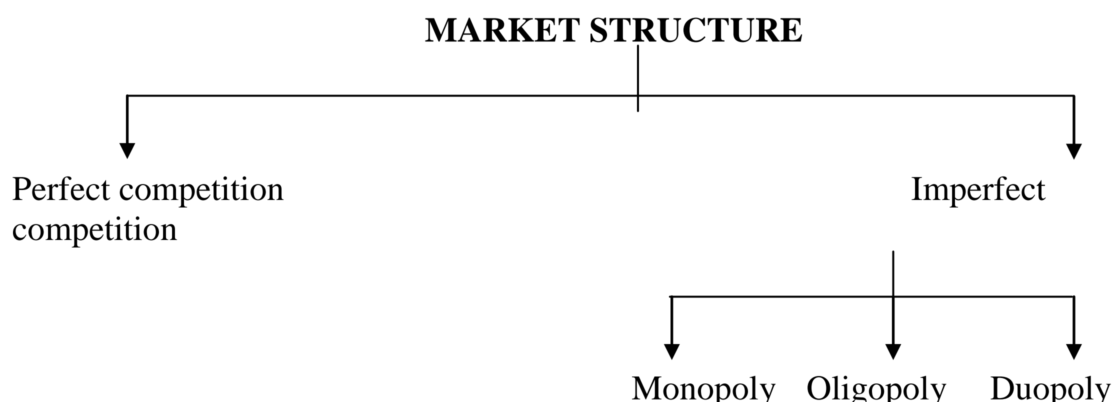
1.) **Firm:** This has to do with the number of firms/sellers in an industry. For instance if the firm is:
    One firm – it is referred to as a monopoly
    Two firms – it is said to be duopoly
    Few firms – it is called oligopoly
    Very many firms – it is called perfect market.
2.) **Product:** This is the extent to which the commodities produced can be differentiated in an industry. The big question here is, are the products identical/homogenous or are they differentiated/heterogeneous?
3.) **Price:** This is the price policy of the industry. Is the price fixed-that is known by all-or not free-that is does it depend on how best the consumer can haggle the price of the good.

4.) **Entry:** This has to do with how far firms are free to enter the industry. Are there bottle necks or is it an all-comer type?

The above features differentiate one market structure from the other; that is, the number of firms, types of product; system of pricing and mode of entry into the market/industry.

3.3 Types of Market Structure

Industries are grouped according to their market structures. There are two major types of market structure – perfect and imperfect market. This can be illustrated in the chart below:



The imperfect competitive market can further be sub-divided into 3; namely monopoly, oligopoly and duopoly. These different types of market structures will be discussed in the remaining part of this unit, that is, units 3, 4 and 5 of this module.

SELF ASSESSMENT EXERCISE I

1) What is a market structure?

2) List the different types of market structure that exist in an economy.

3.4 Meaning and Definition of a Perfect Market

A perfect market is one of the extreme forms of market structure that is characterized by many buyers and sellers, many products that are similar in nature and as a result, many substitutes/alternatives. For instance Bornvita/Pronto/Vitalo/Milo/Ovaltine etc so if one product becomes too expensive a buyer can choose a cheaper substitute instead. In a market where there are many buyers and sellers, both the consumers and the suppliers have equal chance/ability to influence the prices of the commodity. In a perfectly competitive market there are few, if any barriers to entry by new companies and prices are fixed/determined by the forces of demand and supply. Thus, producers in a perfect market are subject to the prices determined by the market and so do not have any leverage to change the price of a commodity on their own accord. This means that if a single firm decides to increase the selling price of its product, the consumers can just turn to the nearest competitor for a better price. Thus, causing any firm that increases its price to lose its own market share and profit. A perfect market is therefore one in which identical goods are sold at the same price and it has very large number of sellers and buyers such that the action of one cannot influence or change the prices of the other identical goods.

3.5 Characteristics of a Perfect Market

A market is said to be perfect if and only if it fulfills all these conditions.

1) Large number of buyers and sellers.
2) If the goods are identical/homogenous.
3) If the price is fixed and not allowed to fluctuate/vary/change.
4) If there is free flow of information with regards to happenings in the market to both the buyers and the sellers.
5) Equal treatment is given to the buyers and sellers and

6) Goods traded upon can be transported with ease.

SELF ASSESSMENT EXERCISE II

1.) What is a perfect market?
2.) List the characteristics of a perfect market.

4.0 SUMMARY AND CONCLUSION

- Market structure is the characteristics of a market that influences the behaviour and performance of firms that sell in a given market.
- The four main features of a market structure are firm, product, price and entry.
- The main types of market structures are perfect and imperfect markets. The imperfect market is further sub divided into monopoly, duopoly and oligopoly.
- A perfect market is one with a lot of buyers and sellers; with fixed price and identical goods, buyers and sellers are given the same treatment and are not discriminated against, information flows freely in the market and the goods can be transported with ease.

5.0 TUTOR-MARKED ASSIGNMENT

Discuss the four features of a market structure.

6.0 REFERENCES

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UNIT 4 MARKET STRUCTURE: IMPERFECT MARKET AND OLIGOPOLY

CONTENTS

1.0 Introduction
2.0 Objectives
  2.1 How to Study this Unit
  2.2 Word Study
3.0 Main Content
  3.1 Meaning and Definition of an Imperfect Market
    3.1.1 Characteristics of an Imperfect
  3.2 Meaning of Definition of Oligopoly
    3.2.1 Causes of Oligopoly
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

Economists assume that there are variations in the number of buyers and sellers in any given market. This means that we have competition in every market which allows price to change in response to changes in demand and supply. Just like the perfect market the imperfect market is another extreme form of market structure but unlike the perfect market it has other forms like monopoly, duopoly, and oligopoly. These different forms will be discussed in the subsequent units. This unit will introduce you to the meaning and characteristics of an imperfect market and oligopoly.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- say what an imperfect market is;
- enumerate and discuss the features of an imperfect market;
- define oligopoly as a market structure; and
- explain the characteristics of oligopoly.

2.1 HOW TO STUDY THIS UNIT

As you read through this unit, pay attention to the:

1. introduction to give you an overview of what is within the unit
2. objectives of this unit.
3. body of the text, with the objectives at the back of your mind. Think of relevant questions that will help you achieve the tasks in the objectives that have been stated.
4. Attempt the activities and TUTOR-MARKED ASSIGNMENT within the unit.

2.2 WORD STUDY

Imperfect market: exact opposite of a perfect market.
Heterogeneous goods: goods that are not identical.
Oligopoly: few firms in the production of a commodity.

3.0 MAIN CONTENT

3.1 Meaning and Definition of an Imperfect Market

An imperfect market is the one with few buyers and sellers; heterogeneous goods, absence of perfect knowledge of the market, preferential treatment is accorded the seller or/and buyer and thee is impediment with regards to entry into the market. There are different forms of imperfect markets in any economy. These include monopoly, oligopoly, duopoly, among others.

3.1.1 Characteristics of an Imperfect Market

1) There are insufficient buyers and sellers.
2) The goods are heterogeneous/not identical/not the same.
3) Both buyers and sellers do not have perfect knowledge of the forces that play in the market.
4) Some sellers give preferential treatment to their buyers like credit facilities, free delivery services etc just to entice and retain them.
5) The goods are not easily transferable from the point of purchase to the point of need e.g. large heavy machines and equipments.
6) There is stiff impediment with regards to entry due to restriction in obtaining license, high cost of setting up similar firms etc.

SELF ASSESSMENT EXERCISE I

1) What is an imperfect market?
2) Explain the characteristics of an imperfect market.

3.2 Meaning and Definition of Oligopoly

This is yet another form of market structure where there are few firms that make up an industry. The selected groups of firms have control over the price of their products. Just like the monopolistic market, oligopoly has high barriers to entry. The products that the oligopolistic firms produce are often nearly identical as a result; the companies that are competing for market share are interdependent as a result of market forces.

Thus, oligopoly is a market structure that arises if an industry comprising of many small firms is dominated by a few large enterprises that supplies a large proportion of the industry's output.

3.2.1 Causes of Oligopoly

1) Economies of scale.
2) Natural endowment due to climate or mineral resources.
3) When the market for a product is small.
4) Act of parliament due to legislation as to the number of firms that can be in an industry.
5) Artificial barriers as a result of predatory practices adopted by a few existing firms may hinder others from entering with the industry.

3.2.2 Characteristics of Oligopoly

1) Few firms that produce branded or standardized goods.
2) Variation in the prices of their products as a result of branding.
3) The firms cooperate among themselves.
4) There is restriction to entry into the industry.
5) Firms have perfect knowledge of the market.

SELF ASSESSMENT EXERCISE II

1) What is oligopoly?
2) Explain the causes of oligopoly.

4.0 SUMMARY AND CONCLUSION

- Imperfect market is one with few buyers and sellers, with assorted types of goods where buyers are given preference by sellers and there is impediment to entry.
- Imperfect markets are known by certain features among which are: few buyers and sellers, heterogeneous goods, preferential treatment to buyers by sellers; buyers and sellers not having full knowledge of what is about the market, difficulty in transporting the goods and impediment to entry.
- Oligopoly is a market structure with few firms.
- With oligopoly there are economies of scale, patent right, market for the product is small and artificial barriers.
- There is branding of goods, variation in prices cooperation among firms and perfect knowledge of the market.

5.0 TUTOR-MARKED ASSIGNMENT

What are the major characteristics of oligopoly?

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UNIT 5 MARKET STRUCTURE: MONOPOLY

CONTENTS

1.0 Introduction
2.0 Objectives
 2.1 How to Study this Unit
 2.2 Word Study
3.0 Main Content
 3.1 Meaning and Definition of Monopoly
 3.2 Characteristics of a Monopolistic Market
 3.3 Causes of Monopoly
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

Yet another type of market structure-monopoly-will be discussed in this unit. The monopoly is a market structure that is characterized by only one firm, which is a single producer and/or seller of a commodity. The desire of a monopoly is to reap maximum profit through the control of output and price. However, he cannot at all times fix both the output and price as he cannot force individuals to buy his products. Thus, if he fixes his output, market forces will determine the price. Hence, a monopoly is subject to the sovereignty of the consumer that is, the consumer is the king and he is always right. If the price is too high, the consumer will object by not buying and the monopoly will be sent out of business and the monopoly will be forced to reduce the price. This unit will now teach you the meaning and definition of monopoly, its causes, characteristics, advantages and disadvantages.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- state what a monopoly is;
- explain the causes of monopoly;
- discuss the characteristics of a monopoly; and
- list the advantages and disadvantages of a monopoly.

2.1 HOW TO STUDY THIS UNIT

As you study this unit take note of the following

- Meaning of monopoly
- Causes of monopoly
- Characteristics of a monopoly.
- Advantages and disadvantages of a monopoly
- Religiously do all the activities and TUTOR-MARKED ASSIGNMENTS.

2.2 WORD STUDY

Monopoly: only one firm producing and selling a particular good.

Patent right: sole right granted a firm to produce a good for a given period of time.

3.0 MAIN CONTENT

3.1 Meaning and Definition of Monopoly

In some industries, there are no substitutes/alternatives for the goods that they produce so there is no competition from other industries. Thus, for such goods there is only one sole producer e.g. Power Holding Company of Nigeria that produces/generates electricity. In a market that has only one producer/supplier of a good or service the producer can fix/control the price of the commodity in question. This means that the consumer does not have a choice as he/she must pay for it whenever he/she needs it. For instance electricity bills, water bills, etc. In a situation like this, the consumer cannot maximize his/her total utility and has very little influence over the price of the good. This type of market structure is called MONOPOLY.

Thus, a monopoly is a market structure in which there is only one producer/seller of a product. It is therefore a single business in a given industry. Entry into such a market is highly restricted. It is one of the extreme forms of market structure.

3.2 Characteristics of a Monopolistic Market

1) Entry into the market by other producers/suppliers is restricted due to high costs or other impediments which may be economic, social or political e.g. government can create a monopoly over an industry that it wants to control, most often, for the interest of the poor masses.
2) Exclusive right to natural resources.
3) The goods produced have no perfect substitutes or alternatives.
4) The monopolist can either fix the price or the output not both.
5) The monopolist has no competitor since he is a sole producer of the commodity.
6) A monopolist deals with standardized products not branded goods.
7) A monopolist earns very huge/large profits all the time as his sole aim is to maximize profit.

3.3 Causes of Monopoly

1.) A monopoly may arise when a company has a copyright or patent that prevents others from entering the market for instance Pfizer has a patent on Viagra.
2.) Gift of God as a result of a natural endowment like petroleum, gold, diamond, iron ore, zinc, tin etc. These natural mineral resources when found in a given area, now makes such a state or country a monopolist/sole producers of that commodity.
3.) Statutory monopoly: when an act of parliament gives a nation or state the sole right to produce a given good like electricity in Nigeria.
4.) Owner of large capital may use it to establish and set up big companies like textiles, iron and steel companies etc. These requirements make others not to be

able to establish such an industry, thus leaving it for those that are able to do so.

5.) A number of firms that produce similar goods may decide to come together to form an industry and pull their resources together when this happen a monopoly results.

6.) Restrictions placed on the importation of certain commodities by tariffs and embargo gives rise to monopoly as this prevents others from producing such goods.

3.4 Advantages of Monopoly

1) Granting of patent and/or copyright to a company enables them to recover the expenses they incurred when they were carrying out the research. This will certainly motivate them to continue to find better ways of improving the qualities of their product.
2) Monopolists have enough capital to engage in large scale production as they are always maximizing profit.
3) A monopolist has no rivals/competitors, so does not spend money on advertisement; such monies are used to increase the volume of their products.
4) Monopolists enjoy economies of scale as they are able to engage in expansion of their plants, retain their staff to meet up with current trends etc.
5) A monopolist has more patronage and prospects for growth and expansion as he is protected from competition

3.5 Disadvantages of Monopoly

1.) A monopolist decides to whom he sells his products as he is the sole producer of the good; so deprives some people of it within the economy.

2.) In other to maximize profit a monopolist reduces his output and supply just for price to increase.

3.) A monopolist often cheats his consumers either through increased prices, reduction of the quality of her product etc as he is the sole producer.

4.) Under a monopolist, consumers have no alternative/substitutes to choose from, so they are ‘nailed’ to the products of the monopolist whether good or bad.

5.) A monopolist might not remember or is not motivated to increase the quality of her products as there is no competition.

SELF ASSESSMENT EXERCISE I

1.) Define the term monopoly

2.) Explain the characteristics of monopoly.

4.0 SUMMARY AND CONCLUSION

❖ Monopoly is an extreme type of market structure where there is only one producer/supplier of a product with many buyers.

❖ Entry is restricted and the goods have no close substitutes/alternatives and are standardized.

❖ Monopoly arises because of patent/copyright, natural endowment, act of parliament, ownership of large capital, coming together of firms and

restrictions placed on importation. Monopoly is an aspect that must not be overlooked by traders and buyers of goods.

5.0 TUTOR-MARKED ASSIGNMENT

What are the advantages accruing to a monopolist?

6.0 REFERENCES

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UNIT 6 THEORY OF PRICE: DEMAND

CONTENTS

1.0 Introduction
2.0 Objectives
  2.1 How to Study this Unit
  2.2 Word Study
3.0 Main Content
  3.1 The Yoruba People
  3.2 The Benin People
  3.3 The Igbo People
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

Demand is one of the categories of factors that determine the price of a good and/or service. Demand tells how much individuals are willing to spend to get a good and/or service. The more money and alternative goods which they are willing to give up for a product or service, the higher their demand. The value people have for a good comes from the subjective utility they get from them. If people do not gain any enjoyment or use out of a good, it will be worthless even if the good took a tremendous amount of labour or resources to create. This unit, therefore, will expose you to the concept of demand, its laws and factors that affect it.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- say what demand is;
- explain the first law of demand; and
- discuss the factors that affect the demand of a community.

2.1 HOW TO STUDY THIS UNIT

As you read through this unit,

1. Note the difference between a want and demand.
2. Be brutally frank with yourself with regards to the factors you consider before demanding for a commodity.
3. Decide what rules constitute the laws of demand.
4. Do all the activities and TUTOR-MARKED ASSIGNMENT before you check the answers behind this book.

2.2 WORD STUDY

Theory: an organized body of ideas that explains facts or events

Want: the commodity an individual wishes to have but have not been paid for.
Effective demand: demand backed up by the willingness and ability to pay.

3.0 MAIN CONTENT

3.1 Concept of Demand

The demand for a commodity is the amount of that commodity that an individual is willing and able to buy at a given price in a given place over a given period of time.

If one has need for a commodity but does not have the money to buy it or has the money but does not want to spend such an amount on the said commodity, then he/she has not demanded such a commodity. All he/she has done is just to want it. The commodity is only demanded when the individual is desirous to have the commodity; has the money and is ready and willing to spend it on the commodity. It is the individual's desire/willingness and means of paying the relevant price that makes demand effective. This means that demand is backed up by purchasing power.

3.2 Demand Schedule

Individuals react to the prices attached to a commodity differently. Given different prices for a particular good, a consumer is bound to buy different quantities. It is the variation/differences that cumulate to give the demand schedule. Thus, a demand schedule shows the relationship between various quantities of a commodity which a consumer is willing and unable to buy at selected prices. For instance given the various price of a packet of biscuit, Mrs. Onuorah will be willing and able to buy the following quantities.

Price per packet of Biscuits	Quantity demanded
₦25.00	12
₦20.00	25
₦15.00	58
₦10.00	100
₦5.00	200

Table 1: Individual demand schedule

From Table 1 above, one finds that the lower the price the greater the quantity demanded by Mrs. Onuorah. This is the first law of demand.

3.3 Types of Demand Schedule

There are two types of demand schedule - individual and market demand schedules.

1) **The individual demand schedule** shows the quantity of a good that an individual is willing and able to buy at a price over a given period of time. This is the same with what we have in Table 1.

2) **Market demand schedule** is the demand schedule that shows at a glance the total quantities of a commodity demanded at different prices by all the consumers at a given market at a particular time. It is also known as aggregate or composite demand schedule. Table 2 shows the market demand schedule for

biscuit in Baleke market at Agbor in Delta state at 12noon on the 28th day of August, 2014.

Price in ₦	Quantity demanded by				Total
	Mrs Onuorah	Mrs Musoru	Mrs Agholor	Mrs Okere	
25	12	60	3	10	85
20	25	70	10	20	125
15	50	80	13	30	173
10	100	90	18	40	248
5	200	100	20	50	370

Table 2: Market demand schedule for Biscuits

Demand Curve

When the data on each of the demand schedule is plotted on a graph we have the demand curve. The demand curve shows the relationship between the quantities demanded and their prices. Thus, it is a graphical representation of the demand schedule. It slopes downwards from left to right. This is keeping with the first law of demand as stated earlier e.g.

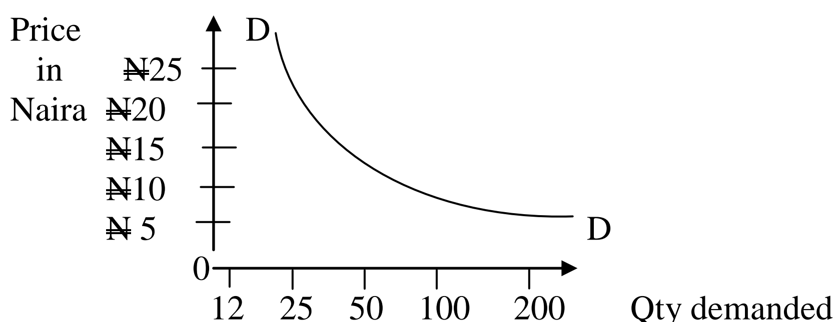

Fig 1: Individual demand curve

3.4 Factors that Influence Demand

Here we want to take a look at those things that influence/affect your demand for a commodity.

1.) Consumers income: The higher ones income the higher the quantity of a commodity that he/she can actually demand; because he/she has a lot of money at his/her disposal. Thus, the lower the income the less quantity that will be demanded.
2.) Price of the commodity. The lower the price of certain goods the higher the quantity that will be demanded. But for ostentatious goods like gold there is an exception, as the higher the price the higher the quantity demanded. This is as a result of the value placed on such a good.
3.) Change in taste and fashion: If peoples taste for a commodity increases demand is bound to increase. Likewise, when a product is in vogue; its demand will

also increase. Conversely, if peoples taste or longing for a product decreases or a good is out of fashion its demand will reduce.

4.) Increase in population: If the population of an area increases, demand for commodities used for that age bracket is bound to increase. For instance if more women give birth, the demand for baby things like pampers, feeding bottles, baby soap and lotion is bound to increase.

5.) Availability of substitutes/alternatives: The demand for goods with close substitutes will increase if there is an increase in the price of one of them; say biro and pen, milo and ovaltine etc. An increase in the price of one will lead to an increase in the quantity demand of the other vis versa especially if the price of the substitute has not changed.

6.) Government policies with regards to consumption of certain goods like the policy on tobacco, alcoholic drinks etc could adversely affect their consumption.

7.) When income is evenly distributed, demand will be high, but when a nation's wealth is in the hands of a few individuals, demand will be low.

8.) An increase in the economic SELF ASSESSMENT EXERCISE (economic boom) leads to a remarkable increase in demand for goods and service, but when there is economic slump, demand for goods and services reduces.

9.) When there is technological development/process the quality of goods and services produced will increase this will bring about an increase in demand. Alternatively, when crude methods are continual being used, consumers' interest will not be rekindled and so demand will not increase; at best it will remain constant.

10.) Climatic conditions causes demand to rise or fall e.g. incessant rainfall would cause the demand for umbrellas to increase and a decrease for ice blocks/cubes/drinks, but in dry or/and hot seasons the demand for these would decrease for umbrellas and increase for ice cubes/blocks/drinks.

11.) Demand for goods and services increases when people avail themselves with credit facilities. It could cause people to open up new businesses as the capital to do so is at their disposal. But when people do not have access to credit facilities demand for goods and services decreases.

SELF ASSESSMENT EXERCISE I

1) Define demand
2) What is the first law of demand?

4.0 SUMMARY AND CONCLUSION

- Demand is the quantity of a commodity that an individual is willing and able to buy at a price over a given period of time. Demand becomes effective when it is backed up by the ability to pay.
- The first law of demand is the lower the price the higher the quantity demanded of a good.
- The individual demand schedule shows the relationship between the price of a commodity and the quantity demanded.

- Market demand is the sum total of consumers demand in a given market at a specific time and a particular price.
- The demand for a commodity is influenced by consumers' income, price of the commodity, consumers taste and fashion, population size, availability of substitutes/alternatives, government policy, redistribution of income, level of economic activity, technological development, prevailing climatic condition-weather and availability of credit facility.

5.0 TUTOR-MARKED ASSIGNMENT

Differentiate between individual and market demand schedule.

6.0 REFERENCES

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UNIT 7 THEORY OF PRICE: SUPPLY

CONTENTS

1.0 Introduction
2.0 Objectives
    2.1 How to Study this Unit
    2.2 Word Study
3.0 Main Content
    3.1 Concept of Supply
    3.2 Supply Schedule
        3.2.1 Types of Supply Schedule
        3.2.2 Supply Curve
        3.2.3 Factor that Influence the Supply of a Commodity
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

When goods and services are produced, it is expected that they be put in the market for those who need them to avail themselves of the opportunity to have them for a price. This is dependent on the willingness of the producer to present them for sale at various prices at a given time and place. This unit is meant to acquit you with what supply means, the law of supply, individual and market supply schedule and curve. It will also afford you the opportunity of knowing the factors that influence the supply of a commodity.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- define supply;
- say the second law of demand and supply; and
- explain the factors that influence the supply of a commodity.

2.1 HOW TO STUDY THIS UNIT

1. read carefully through this unit in a sequential order
2. take note of all the issues/points raised
3. do all the activities and the TUTOR-MARKED ASSIGNMENT within this unit.

2.2 WORD STUDY

Supply: offer for sale

Quantity supplied: actual quantity offered for sale

Quantity sold: quantity bought/paid for by consumers/buyers

3.0 MAIN CONTENT

3.1 Concept of Supply

The supply of a commodity is the amount of that commodity that the producer or owner is willing and able to present for sale at various price at a given time and place. Like demand, supply is a flow rather than a stock. This is because the action takes place at stated time intervals, for instance, per day, per week, per month or per year. If a producer produces say 10tons of a given commodity but sends 8 tons to the markets at say N200. 00 per ton, the amount supplied is8 tons not 10 tons that he was able to produce. Thus, supply means “offer for sale”, willingness to sell, desire or readiness to sell a particular commodity at a stated price.

Supply therefore is the quantity of a commodity which a producer and/or a seller offers for sale at a given price at a given time and place.

3.2 Supply Schedule

Supply schedule is a table that specifically shows the relationship between the quantity of a commodity which a producer/seller offers for sale at a number of alternative prices at a given time.

3.2.1 Types of Supply Schedule

Just like demand, there are two types of supply schedule – individual and market supply schedules.

1. **Individual Supply Schedule**

The individual supply schedule is a table that show that various quantities of a commodity that a producer/seller is willing and able to offer for sale at various prices in a particular period. For instance

Price in ₦	Quantity supplied of biscuits
₦25.00	220
₦20.00	180
₦15.00	58
₦10.00	43
₦5.00	20

Table 1: Individual supply schedule

From Table 1 above, one finds that at a higher price, producers/sellers will be more willing to put more of their products into the market for sale. This is in accordance with the second law of demand and supply which states that “the higher the price the higher the quantity that would be supplied”.

Market Supply Schedule

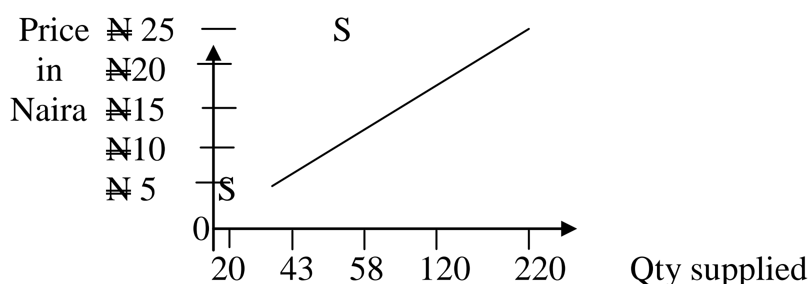
The market supply schedule is the total quantities supplied by all producers/sellers in a market at various prices and time. It is also referred to as aggregate or composite supply schedule.

Price in ₦	Quantity supplied by				Total Supplied
	Mrs Onuorah	Mrs Musoru	Mrs Agholor	Mrs Okere	
₦ 25.00	220	87	130	183	613
₦ 20.00	180	63	121	94	558
₦ 15.00	58	38	87	73	256
₦ 10.00	43	22	33	56	154
₦ 5.00	20	7	12	30	69

Table 2: Market supply schedule

3.2.2 Supply Curve

The supply curve shows the relationship between the price of a commodity and the quantity supplied by producer(s) at each price. It is a graphical representation of the supply schedule e.g. fig 1



The supply curve indicates that as price increases, the quantity which the producer offers for sale also increases and vice versa.

3.2.3 Factors that Influences the Supply of a Commodity

1) When there is improvement in means of production as a result of technological changes, supply is bound to increase as producers will increase their output, if not quantity supplied will decrease.

2) A reduction in the cost of production especially labour and raw materials will lead to an increase in quantity produced and consequently quantity supplied.

3) If the number of producers reduces, their output invariably will reduce. But if there is an increase in the number of producers, output will also increase.

4) If there is an upward review of the price of a commodity, producers will supply more if not, they will supply less.

5) If the demand of a good increases, it will motivate producers to increase the quantity they will offer for sale, if not they will reducing their supply

6) Change in weather affects the quantity of agricultural products that producers are willing to offer for sale. If the weather is favourable, output will increase and consequently supply will also increase.

7) If the price of goods with close substitute increases, consumers are bound to change to the commodity whose price has not change, say semovita and wheat. This will affect the supply for both. If the price of one increases, consumers

will demand more of the other this will make the producer/supplier to supply more of that close substitute.

8) If a producer has access to getting more capital, and actually gets it, he is likely to increase his production level - output and will be able to increase the quantity he can put out for sale.

9) An increase in the income level of people in a given society will affect their demand positively. This will motivate producers to increase their productivity and thus increase their supply.

SELF ASSESSMENT EXERCISE I

1) What is supply?

2) What factors affect the supply of a commodity?

4.0 SUMMARY AND CONCLUSION

- Supply is the quantity of a commodity that producers/sellers are willing and able to put out into the market for sale at a price over a given period of time.
- Supply schedule is a table showing the various quantities of a commodity which a producer/seller offers for sale at a number of alternative prices in a given period.
- There are two types of supply schedule: individual and market supply schedules.
- A supply curve shows the relationship between price and the quantity supplied.
- The supply of a commodity is influenced by improved technology, change in the cost of production, change in price, change in demand, government policy, change in weather, prices of related (other) goods, access to more capital and change in level of income.

5.0 TUTOR-MARKED ASSIGNMENT

Explain the terms individual and market supply schedules

6.0 REFERENCES

Odike, J.C., Ikechukwu B.T., Odo, N.N. and Udeh, S.O. (2004).*Principles of economics.* Enugu: J.T.C Publications

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UNIT 8 EQUILIBRIUM AND ELASTICITY

CONTENTS

1.0 Introduction
2.0 Objectives
 2.1 How to Study this Unit
 2.2 Word Study
3.0 Main Content
 3.1 Concept of Equilibrium and Disequilibrium
  3.1.1 How Equilibrium Can Be Restored
 3.2 Equilibrium
 3.3 Laws of Demand and Supply
 3.4 Concept of Elasticity
  3.4.1 Types of Elasticity of Demand
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

Recall that when you have a need we say that you want a given commodity but when you have the money to pay then you have effectively demanded for that commodity. Note that as you are demanding, someone else the producer/seller is checking to ascertain if he/she should sell the commodity at the price you are willing and able to buy it. Once the producer/seller has agreed to sell at that price, then a compromise that we call equilibrium is reached, that is where demand equates/is equal to supply (DD= SS).

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- define equilibrium, elasticity of demand and supply;
- explain how equilibrium can be restored;
- enumerate the different types of elasticity of demand; and
- enumerate the various types of elasticity of supply.

2.1 HOW TO STUDY THIS UNIT

1) Read through the unit carefully and take note of the issues raised in a sequential manner.
2) Try to summarize the salient points.
3) Do all the activities and TUTOR-MARKED ASSIGNMENTS within the unit.

2.2 WORD STUDY

Equilibrium: state of balance of opposing forces.
Disequilibrium: state of imbalance between quantity demanded and quantity supplied
Elasticity: flexibility, responsiveness to changes

3.0 MAIN CONTENT

3.1 Concept of Equilibrium and Disequilibrium

Concept of Equilibrium

Equilibrium occurs in a market

1) When the total quantity of goods put out for sale is equal to the total quantity of goods demanded, that is
   (a) Desired sales = desired purchases or
   OR
   (b) Quantity supplied = quantity demanded
2) When there is neither excess supply (surplus) nor excess demand (shortage)
3) Graphically, a market is at equilibrium when the supply curve intersects the demand curve at a certain price.

Concept of Disequilibrium

Disequilibrium occurs in a market

1) When the total quantity of goods supplied is not equal to the total quantity demanded.
2) When there is either excess supply (i.e. commodity glut-a surplus) or excess demand (acute commodity shortage).

3.1.1 How Equilibrium Can Be Restored in a Market

Equilibrium is achieved/restored/corrected in a market by:

1) eliminating or removing both the excess demand and the excess supply.
2) making the increase or decrease in demand to correspond or to be equal to increase or decrease in supply.

3.2 Equilibrium Price

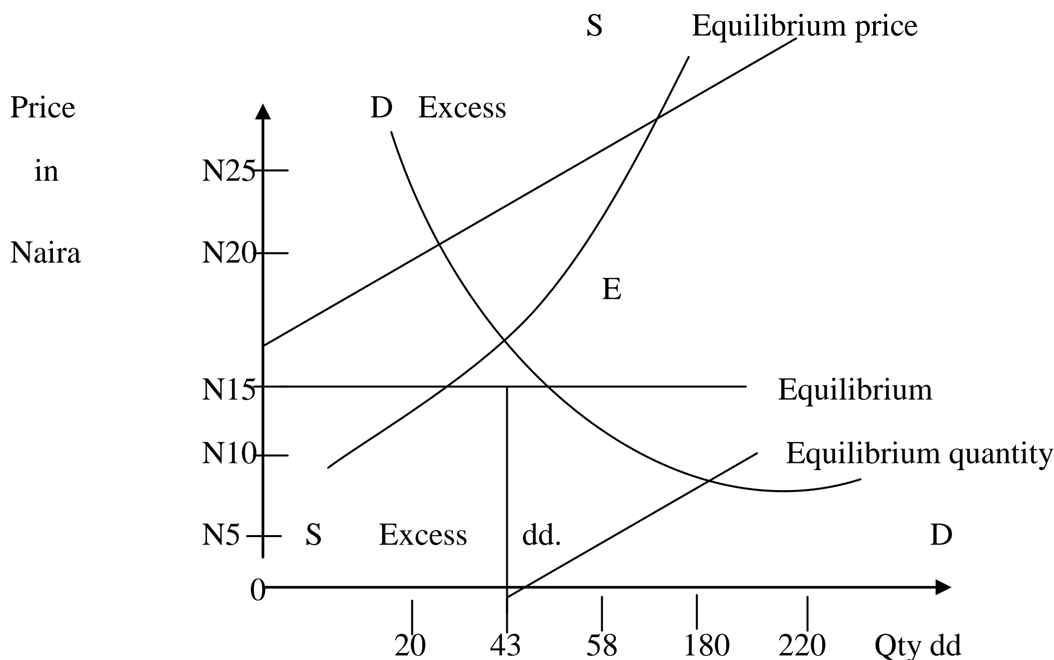
The forces of demand and supply in a market determines or fixes the price of commodities when the two forces (dd=ss) are equal, the price is fixed. This is the equilibrium price. Equilibrium price is the price at which

1) demand is equal to supply (dd=ss) or Quantity demanded is equal to quantity supplied (Qd=Qs) or forces of demand = forces of supply.
2) The price that corresponds to the point at which the demand curve intersects the supply curve.
   This is best illustrated with a schedule and a graph as shown in Table 1 and fig 1 below.

Table 1: Combined demand and supply schedule

Price in Naira	Quantity supplied in kg	Quantity demanded in kg	Remark
₦5.00	220	200	
₦10.00	180	100	
₦15.00 ←	58 ←	→ 58	→ Equilibrium price/QTY
₦20.00	43	25	
₦25.00	20	12	

Fig 1: Equilibrium price and quantity



From table 1, above you will observe that at N15.00.Qty dd (58) = Qty ss (58)
Any price above or below the equilibrium price places the market in a disequilibrium position. Any price above the equilibrium price results to excess supply, while any price below the equilibrium results in excess demand. These situations bring us to the other laws of demand and supply.

3.3 Laws of Demand and Supply

First Law: The lower the price the higher the quantity demanded.

Second Law: The higher the price the higher the quantity supplied

Third Law: Price in a perfect market is determined by the interaction of the two forces of supply and demand, the intensity of demand in relation to the conditions of supply. Price is fixed by the forces of demand and supply.

Fourth Law: An increase in demand tends both to increase price and to call forth a larger supply.

Fifth Law: An increase in supply tends to lower price and to increase the quantity demanded.

SELF ASSESSMENT EXERCISE I

1.) Define equilibrium
2.) Explain how equilibrium is restored in a market.

3.4 Concept of Elasticity

In units 6 and 7 of this module, you learnt that demand and supply has relationship with price. Demand has inverse relationship with price, while supply has direct relationship with price. Now we are going to see the extent to which demand and supply react to changes in the price of a commodity. We will start with demand then end with supply.

Elasticity of demand is the degree of responsiveness of demand to changes in price. It tells one how demand responds to a slight, moderate or significant change in the price of a commodity. Elasticity of demand is also known as 'Price elasticity of demand' or simply put as 'Price elasticity'.

3.4.1 Types of Elasticity of Demand

There are five main types of elasticity of demand. They are:

1.) **Elastic demand:** When a small percentage change in price causes a greater percentage change in quantity demanded. That is if a certain change in price brings about more than a proportionate change in quantity demanded. It holds for luxurious or superior goods like jewellery.

2.) **Inelastic demand:** When a change in price results to less than a proportionate change in quantity demanded. That is if a large percentage change in price causes a small percentage change in quantity demanded. It holds for normal goods items of necessity like food stuff, body cream etc.

3.) **Unit Elasticity of demand: This is w**hen a change in price causes a proportionate or equal change in quantity demanded. That is, if a percentage change in price leads to equal percentage change in quantity demanded. It holds for semi-luxurious goods like electronics, beverages, furniture etc.

4.) **Perfectly elastic demand:** Here demand is completely elastic when an infinite quantity is demanded either at a fixed price or at a slightly lower price; and demand is zero if the price is slightly increased. In other words; the price is fixed at whatever quantity demanded. It is also known as infinitely elastic demand or complete elastic demand. It holds for inferior goods like fruits, salt etc.

5.) **Perfectly inelastic demand:** This is when demand is completely inelastic whatever the price. This holds for indispensable items in an individual's life like food, water, shelter, etc. It is also known as zero elasticity of demand.

SELF ASSESSMENT EXERCISE II

1.) What is elasticity of demand?

2.) Enumerate five types of elasticity of demand.

3.5 Elasticity of Supply

Elasticity of supply is the degree of responsiveness of supply to a change in price. It tells us the extent to which producers/sellers react to a change in the price of their product/commodity.

3.5.1 Types of Elasticity of Supply

Like demand, there are five types of elasticity of supply. They are:

1. **Elastic Supply:** When a certain change in price brings about more than a proportionate change in quantity supplied. That is, a small percentage change in price leads to a great percentage change in quantity offered for sale.
2. **Inelastic Supply:** When a change in price causes less than a proportionate change in quantity supplied. That is when a big change in price leads to a small change in quantity offered for sale.
3. **Unit Elastic Supply:** When a certain change in price leads to a proportionate change in quantity supplied. That is, a percentage change in price leads to equal percentage change in quantity supplied.
4. **Perfectly Elastic Supply:** Supply is perfectly or completely elastic if price is fixed wherever the quantity is supplied.
5. **Perfectly inelastic supply:** Occurs when the same quantity is supplied at whatever price. That is changes in price does not influence the supply invariably quantity supply is fixed or constant or does not change.

SELF ASSESSMENT EXERCISE III

1.) Define elasticity of supply.
2.) List five different types of elasticity of supply.

4.0 SUMMARY AND CONCLUSION

- Equilibrium is when the total quantity of goods put out for sale equates the total quantity of goods demanded.
- Disequilibrium occurs when quantity supplied is less or greater than quantity demanded.
- Equilibrium can be restored when the excesses in the quantity demanded and supplied are removed.
- Equilibrium price is the price at which quantity demanded equates quantity supplied.
- There are five laws of demand and supply.
- Elasticity of demand is the degree of responsiveness of demand to a change in price.
- The various types of elasticity of demand are elastic demand, inelastic demand, unit elasticity demand, perfectly elastic demand and perfectly inelastic demand.
- Elasticity of supply is the degree of responsiveness of supply to a change in price.
- The different types of elasticity of supply are elastic supply, inelastic supply, unit elastic supply, perfectly elastic supply and perfectly inelastic supply.

5.0 TUTOR-MARKED ASSIGNMENT

State the five laws of demand and supply.

6.0 REFERENCES

Abedi, J.O (2008). *Economics for colleges.* Lagos: Global Publishers.

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UNIT 9 INCOME AND SAVINGS

CONTENTS

1.0 Introduction
2.0 Objectives
  2.1 How to Study this Unit
  2.2 Word Study
3.0 Main Content
  3.1 Concept of Income
  3.2 Concept of Savings
    3.2.1 Reasons for Saving
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

In every economy world-wide individuals work to earn a living. This earning or wages is regarded as the person's income. As he receives his income, he has some needs that he/she would earnestly like to satisfy. When he/she does this he/she gets into expenditure. After satisfying some of the needs, his income might get exhausted or in some cases might still be remaining. It is this aspect of an individual's income that is not spent that is regarded as his/her saving. The amount set aside by an individual as saving can be referred to as money set aside for unforeseen eventualities or for future use.

This unit will really expose you to what income and savings are, reasons why people save and what determines ones savings.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- state what income and savings are;
- discuss the reasons for saving; and
- explain the factors that determine the level of saving.

2.1 HOW TO STUDY THIS UNIT

1. Read through the unit carefully. Do not take any aspect for granted.
2. Try to relate the issues raised with what is in your own life and see the extent to which they agree.
3. Do all the activities and the TUTOR-MARKED ASSIGNMENT in this unit religiously.

2.2 WORD STUDY

Expenditure: money spent on things.
Income: wages and salaries
Contingencies: emergencies

3.0 MAIN CONTENT

3.1 Concept of Income

Income can be referred to as ones earnings, wages and salaries for a job done or the excess of the value of an entrepreneur finished output sold during the period over his prime cost. It is from ones income that he is able to satisfy his needs. That is what one has at his disposal to spend on things that he really needs and has value for. It is the amount of money left after an individual has paid his personal taxes. It is the amount that could be consumed on goods and services or saved for the rainy day or for unforeseen circumstances.

3.2 Concept of Savings

Savings is that part of an individuals or nations income that is not consumed. It is the excess of income over expenditure on consumption. Saving depends partly on the outlets provided by institutions like insurance companies, building societies, banks and unit trusts. Saving can be seen as that part of income set aside or reserved for future use. That is, that portion of current income not spent on consumption but carefully reserved for future use. It is equal to income (Y) minus consumption (S) (S=Y-C) savings is done by individuals, or households, firms and government. The savings of firms is referred to as ‘reserved or undistributed profit’ while that of the government is called “reserved foreign exchange” or ‘reserved foreign currencies” or ‘gold’.

3.2.1 Reasons for Saving

Individuals are forced to save part of their income because of the following reasons.

1) **For future use:** People save so as to meet up certain needs that are too expensive to be satisfied at once like rents, levies, school fees, huge investments, buying households equipments etc.
2) **For emergencies/unforeseen contingencies:** People save so that they can pay for some eventualities like medical bills, legal expenses, entertainment of unexpected visitors, death and burial of close relatives, accidents etc.
3) **Investment/Transactions:** people save in order to set up businesses, build their personal houses etc.
4) **Speculations/Earning interests/Dividends:** People save money in order to earn interest like some people save their money in fixed deposit account, savings account, some use their money to buy shares and bonds, stocks and debentures all with the hope that at maturity they will use the accruing interest to solve one or two problems.
5) **Protection in old age/Legacy:** Some people save in their youthful days so as to have money to take care of themselves in their old age or to bequeath to their beneficiaries as inheritance.

SELF ASSESSMENT EXERCISE I

1.) What is income?
2.) Why do people save?

3.4 Determinants of Savings

The following are factors that make it possible for people to save

1) **Size of the person's income:** The higher the individual's income, the larger the amount he can set aside for keeps.
2) **Government Policy:** Government can make it mandatory for civil servants to save part of their earns by registering for National Provident Fund (NPF), Pension Scheme, housing saving scheme, child education scheme etc. This is hoped will help elevate the challenges workers will meet later in life.
3) **High rate of interest:** When financial house pay their consumers high interest rates on save, it motivates people to save more.
4) **Political Stability:** When a nation enjoys relative peace and harmony, people are motivated to save unlike when there is ravaging insecurity and war.
5) **Availability of credible financial institutions:** People are encouraged to save when they have well established banks and other credible financial houses in their locality.

SELF ASSESSMENT EXERCISE II

Discuss the factors that make it possible for people to save.

4.0 SUMMARY AND CONCLUSION

- Income (Y) is that part of ones earning, wages and salary not spent on goods and services.
- Savings (s) is ones income (Y) minus consumption (C). That is savings (S) =Y – C.
- Individuals save for future use, emergencies, investment, speculation and old age.
- An individual's savings is dependent on the person's income, government policy, interest rate, political stability and availability of credible financial institution.

5.0 TUTOR-MARKED ASSIGNMENT

Differentiate between income and savings.

6.0 REFERENCES

Abedi, J.O. (2008). *Economics for colleges.* Lagos: Global Publishers

Tadaro, M.P. (1977). *Economics for a developing world.* Hong Kong: Longman.

UNIT 10 CONSOLIDATION

CONTENTS

1.0 Introduction
2.0 Objectives
    2.1 How to Study this Unit
    2.2 Word Study
3.0 Main Content
    3.1 The Concept of Socio-Economic Structure of Society
    3.2 Features of Institutions in a Society
    3.3 The Concept of Market and Market Structure
        3.3.1 The Perfect Market
        3.32 The Imperfect Market
4.0 Summary and Conclusion
5.0 Tutor-Marked Assignment
6.0 References

1.0 INTRODUCTION

Units 1-9 of this module have jointly called your attention to different aspects of what is captioned “Socio-Economic Structure of Nigeria”. This unit seeks to recapitulate the essentials that have been presented in units 1 through 9 so that you may have a coherent, global perception of the Socio-Economic Structure of Nigeria bearing in mind the concept of market and market structures, the theory of price, equilibrium and elasticity and finally income and savings.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- explain the concept of market and market structure;
- discuss the characteristics of a perfect and an imperfect market;
- explain the advantages and disadvantages of a monopolistic market;
- discuss the causes of oligopoly;
- explain the theory of price; and
- discuss the concept of income and savings.

2.1 HOW TO STUDY THIS UNIT

This unit consolidates and recapitulates. It does not seek to confront you with materials which are completely new. To achieve its purpose of letting you into the coherent whole regarding the socio-Economic Structure of Nigeria, you should while studying it:

a) Try to recall what you read in each of the units, 1-9. Where you are unable to recall readily, you should do some selective reading of the summaries.
b) Reflect upon your personal experiences trying to purchase some goods and services and saving an aspect of your income.
c) As usual, do all the exercises presented and assignments in this unit.

2.2 WORD STUDY

Evolution: gradual process of change from simple to complex.

3.0 MAIN CONTENT

3.1 The Concept of the Socio-Economic Structure of a Society

The important components of social structure are statues, roles, groups and institutions. The social structure of any nation tells the pattern of relationships among these basic components which provides the framework for all human societies.

The economic structure of a country deals with all the business activities engaged in for the benefit of not just those residing there in but the nation as a whole. It deals with the various forms of markets and market structure, pricing of goods and services and income accruing from the activities and how individuals and government stiff to save for unforeseen circumstances.

3.2 Features of Institutions in a Society

Institutions in every society have some basic features/characteristics. They tend to be:

- resistant to change
- interdependent
- change together and
- the site of major social problems.

SELF ASSESSMENT EXERCISE I

Differentiate between social structure and economic structure of a nation.

3.3 The Concept of Market and Market Structure

Market is any arrangement by which two or more individuals are brought into contact for the sole purpose of buying and selling of goods and services. There are three main forms of market – commodity, factor and financial market.

Market structure is the condition of an industry that exert influence on the conduct and performance of firms that sell in a market. That is the characteristics of a market that affect the behaviour and performance of firms that sell in a market.

Market structure has four major features – firms, product, price and entry – in any economy. They are also two major types of market structure – perfect and imperfect market.

3.3.1 The Perfect Market

A perfect market is characterized by many buyers and sellers, has homogenous goods, price of the commodity is fixed, buyers and sellers are treated equally, goods are transported with ease and buyers and sellers have full knowledge of the happenings within the market.

3.3.2 Concept of Imperfect Market

An imperfect market is one with few buyers and sellers, heterogeneous/assorted types of goods, buyers are given preference by sellers, there is impediment to entry and

goods are not easily transported from one place to another. There are two main types of imperfect market in Nigeria – Monopoly and oligopoly.

Monopoly is a market structure with only one firm producing and selling a particular good, entry by other firms is highly restricted because of patent right accorded by government to the firm and it maximizes profit.

Oligopoly is a market structure with few firms that enjoy economies of scale, patent right, branding of goods, variation in prices, cooperation among firms and perfect knowledge of the market.

SELF ASSESSMENT EXERCISE II

With the aid of a diagram enumerate the different types of market structure that can be found in an economy.

3.4 Theory of Price

The theory of price has to do with the demand and supply of a commodity. Demand is the quantity of a commodity that a consumer is willing and able to buy at a price over a given period of time. The first law of demand states that there are two types of demand schedule – individual and market demand schedule. When the data from these schedules are graphically represented, they are known as individual demand curve and the market demand curve.

Supply is the quantity of a commodity that producers/sellers are willing and able to put out into the market for sale at a price over a given period of time.

The supply of a commodity is influenced by improved technology, change in the cost of production, price, demand, weather changes, price of related goods.

Equilibrium is attained when the quality demanded equates the quantity supplied at a given price.

Elasticity of demand is the degree of responsiveness of demand to changes in price. There are five types of elasticity of demand namely, elastic, inelastic, unitary, perfectly elastic and perfectly inelastic demand.

Elasticity of supply is the degree responsiveness of supply to changes in price. The various types of elasticity of supply are elastic, inelastic, unitary perfectly elastic and perfectly inelastic supply.

Income (Y) is savings plus expenditure that is ones earnings, wages and salaries for a job done after tax.

Savings (S) is that part of ones income not spent on consumables but kept for unforeseen eventualities, old age, emergencies and investment that is income minus consumption (S=Y-C).

4.0 SUMMARY AND CONCLUSION

Income and savings are the basis upon which an individual worth is based aside character. Even one strives to survive. This is only possible through hard work, whose rewards are income. As individuals interact with each other certain good things of life must be kept in place or/and acquired. As a result individual are forced to save part of their income.

5.0 TUTOR-MARKED ASSIGNMENT

1. What is savings?
2. Carry out a survey in your locality to ascertain why some of your relatives save part of their income. Compare your findings with what is in this module.

6.0 REFERENCES

Abedi, J.O. (2008) *Economics for colleges.* Lagos: Global Publishers

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Udo, E. & Agu G.A. (2004) *New system economics.* Onitsha: Africana Publishers.