COVENANT UNIVERSITY
NIGERIA

TUTORIAL KIT
OMEGA SEMESTER

PROGRAMME: ECONOMICS

COURSE: CBS 221
DISCLAIMER
The contents of this document are intended for practice and leaning purposes at the undergraduate level. The materials are from different sources including the internet and the contributors do not in any way claim authorship or ownership of them. The materials are also not to be used for any commercial purpose.
1. Contemporary theorists now look at a plethora of variables that influence economic growth of nations. Discuss.

2. The legal framework and political climate can significantly hinder or enhance economic progress in a country. Explain.

3. With the examples of North and South Korea and West and East Germany, discuss how government role can affect economic growth.

4. Why is an understanding of development crucial to policy formulation in developing nations?

5. Discuss the features of Monetary Policy.

6. Should the government be involved in growth process in an economy or the private sector be left to handle it?

7. Does government intervention actually promote efficiency?

8. Describe the key roles of government in the process of economic growth.

9. Briefly describe how the following affects economic growth:
   a. Human Capital
   b. Economic Institutions.

10. Theoretically, geography can have effect on economic growth through some channels. What are these channels?

11. Describe how monetary policy can accelerate the pace of development in a region.

12. Describe how increases in population growth and improvement in technology can influence economic growth?

13. Highlight some of the policies designed to control population growth experiences from some countries. Cite relevant country examples.

14. Does geography, along with climate and natural resources enhance or impede economic growth of countries?

15. Population growth does not merely increase wealth, rather it is population growth that increases effective demand that result in increase in wealth. Expantiate.
16. Appraise the role of agriculture and industrialization in developing countries in enhancing their growth potentials.

17. How does natural resources and climatic condition of a region significantly explain the differences among nations?

18. Both Agricultural and Industrial development strategies affect the growth of each other. Discuss.

19. Explain the main characteristics of the financial system of a developing economy.

20. Why are geography, climate and natural resources particularly interesting to study as possible determinants of economic growth?
1 Contemporary theorist have realized that a number of other factors/variables equally explain economic growth process. They thus included the role of human capital, ideas and innovation as determinants in growth process. This group of theorists asserted that variables such as human capital, technology, economic institutions, democracy, technology, geography, climate, natural resources and role of government are important determinants that have been helpful in explaining prosperity of a number of countries.

**Note:** Students are expected to explain how some of the variables influence economic growth.

2 Key roles of government in the process of economic growth. The role of government is also essential in providing public services that private sector may not be able to play as a result of the low profits involved and high volume of risk. To ensure the balance of growth in the different sectors of the economy (for supply to be adjusted to demand), state regulation and control is essential. This is in terms of control over production, distribution and consumption of commodities by devising physical controls, fiscal and monetary measures. These measures will help reduce inequality in the society. These roles includes;

i. Changes in Institutional Framework  
ii. Organizational Changes  
iii. Social and Economic Overheads  
iv. Agricultural Development  
v. Industrial Development  
vi. Monetary and Fiscal Policies  
vii. Increase in Foreign Trade

3 Channels through which geography can have effect on economic growth;  
i. International trade: Openness to trade facilitates economic growth which could be through technology transfer and increase in income per capita through its effect on productivity. The most important geographical determinant of a country’s ability to engage in foreign trade is proximity to the ocean.  

ii. Cross-border influences of neighboring countries: Spillover (describes cross border effect) and clustering can also determine economic growth through geographical location of a country.
iii. Geographical influences on government: Geography can also affect economic growth through its effect on the size of states as well as the conduct of government. The background to this theory relates to the observation of differences in the historical formation of states in Europe compared to the rest of the world, particularly China— in the period before the industrial revolution.

4 How monetary policy can accelerate the pace of development in a region.
Monetary policy introduced in a country can be in different forms, via:

- Control of financial institutions
- Active purchases and sales of paper assets by monetary authority.
- Passive purchases and sales of assets resulting from having a particular interest rates structure.

Monetary policy accelerates development by influencing the cost and availability of credit, by controlling inflation and maintaining balance of payment equilibrium.

5 Features of Monetary Policy includes;

i. Creation and Expansion of Financial Institutions; to provide larger credit facilities and to divert voluntary savings into productive channels.

ii. Suitable Interest rate policy. In developing countries, interest rate is high, which is an obstacle to investment. However, demerits of low interest rate include making government bonds unattractive and can affect adversely the growth of savings.

iii. Debt management. The cost of servicing the national debt is made possible by low interest rate. Low rate also raises the price of government bonds thereby making them more attractive.

iv. Adjustment between demand for and supply of money; since a shortage of money supply will prevent growth and excess of it will cause inflation.

v. Credit control; through open market operation, variable reserve ratio and bank rate policy. Methods such as control of capital issues, control over imports and exports should also be introduced.
6 Role of Agriculture
   i. Provision of food to the teeming population
   ii. Expansion of secondary and tertiary sectors by increasing the demand for industrial products
   iii. Earning of foreign exchange through agricultural exports
   iv. Increasing rural income
   v. Provision of employment
   vi. Improving the standard of living of rural people

Role of Industrialisation
   i. Provision of capital goods and social overheads capital for production of goods and services in the economy.
   ii. Industrial development increases agricultural output by supplying farm machinery, fertilisers and other inputs.
   iii. Provision of employment to the unemployed or underemployed in agricultural sector.
   iv. Brings increasing returns and economies of scale especially in training, communication and inter-sectoral linkages.
   v. Helps to solve the deterioration in terms of trade by adopting import substituting and export-oriented industrialisation.

Conclusion
Balanced development of manufacturing industries and agriculture is ideal and better.

7 Characteristics of Financial System
   i. Lack of uniformity of interest rates in different sectors of the economy
   ii. Unorganized money and capital market
   iii. Inefficiently functioning markets
   iv. Lack of adequate information
   v. Lack of transparency
   vi. Lack of sensitivity of investment decisions to interest-rate movement

Note; Explain in details

8 Population growth can be an asset to an economy if majority of the people have skill and expertise to bring high productivity, increased volume of goods, increased income and high consumption thereby raising the standard of living. Population can be a liability if majority of the
people are without skill and requisite knowledge to contribute to the growth of the economy. In most cases their marginal productivity is low and hence low income, low saving and low level of investment in the economy.

9 Why are geography, climate and natural resources particularly interesting to study as possible determinants of economic growth?
Geographical factors such as the geographical location of a country, its climate and natural resources can be significant factors in determining the economic growth of the country.

**Geography**
Theoretically, geography can have effect on economic growth through the channels of;
- International trade: Openness to trade facilitates economic growth which could be through technology transfer and increase in income per capita through its effect on productivity. The most important geographical determinant of a country’s ability to engage in foreign trade is proximity to the ocean.

- Cross-border influences of neighboring countries: This can be through spillover effect. Spillover (describes cross border effect) and clustering can also determine economic growth through geographical location of a country. For instance, wealthy countries tend to be near each other, Europe is a good example; clustering of Canada and US, Japan and South Korea, Australia and New Zealand.

- Geographical influences on government: Geography can also affect economic growth through its effect on the size of states as well as the conduct of government. The background to this theory relates to the observation of differences in the historical formation of states in Europe compared to the rest of the world, particularly China - in the period before the industrial revolution.

**Climate**
- Climate has direct effects on productivity, most importantly in agriculture.

- It influences the human input into production as prevalence of disease is linked to climate, with people’s ability to work been affected by temperature.

- It can equally affect the economy by making a location more or less pleasant as a place to live.

**Natural Resources**
- Natural resources have significant relationship with economic growth. One seemingly obvious geographic determinant of income is the presence or otherwise of natural resources.
Output is not produced by labour, capital, human capital and technology alone; natural resources such as farmlands, forests and minerals are equally combined with these other factors to produce output.

10 Some of the policies designed to control population growth experiences from some countries includes:
   • Family planning/family welfare
   • Compulsory sterilisation
   • Promotion of education
   • Increase in pace of social and economic development.

Note: Students are expected to explain these policies in relation to country examples such as China as discussed during class discussion.