



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2021_1 EXAMINATION**

COURSE TITLE: INTRODUCTION TO INTERNATIONAL ECONOMICS

COURSE CODE: ECO 344

UNITS: 3

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER QUESTION ONE AND ANY THREE QUESTIONS OF YOUR CHOICE. YOU ARE ADVISED TO EXPLAIN EXPLICITLY AND USE DIAGRAM, GRAPHS, ILLUSTRATIONS OR EXAMPLES WHERE NEEDED.

- 1a. State and explain the law of returns to scale **(5 marks)**
- 1b. Write short notes on the following concepts: **(12 marks)**
- Constant return to scale
 - Increasing return to scale
 - Decreasing return to scale
- 1c. A country faces the production function $Q = 0.5LK - 0.1L^2 - 0.05K^2$ and can buy the inputs K and L at prices per units of N25 and N20 respectively. If the country has a budget of N500 what combination of K and L should the country use to produce the maximum possible output and what is the maximum output? **(8 marks)**
- 2a. List and explain the importance of international trade to Nigeria with reference to Trade, Growth, Economic Interrelatedness and Resource utilization **(10 marks)**
- 2b. What do you understand by the term wage theory? **(3 marks)**
- 2c. List two (2) wage theories **(2 marks)**
- 3a. Briefly explain Heckscher-Ohlin theory **(7 marks)**
- 3b. List and explain factors that determine the gains from international trade **(8 marks)**
- 4a. Identify and discuss the consequences of international trade. **(10 marks)**
- 4b. Briefly highlight the dissimilarity(s) existing between gains from exchange and gains from specialization **(5 marks)**
- 5a. List five conditions that guarantee no-trade situation **(5 marks)**
- 5b. Write short notes on:
- i. Bargaining theory **(5 marks)**
 - ii. Marxian surplus-value theory **(5 marks)**