NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2022_2 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 ADVISE 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 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 guarantees no-trade situation   **(5 marks)**
5b. Write short notes on:

i.   Bargaining theory   **(5 marks)**
ii. Marxian surplus-value theory   **(5 marks)**