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**DEPARTMENT: ECONOMICS**

**COURSE CODE: ECO 304**

**ASSIGNMENT**

1. There exists a sharp contrast between theories of public expenditure increase even as population increase while some opined that national expenditure increases in developmental stages. Are these statements true about Nigeria

b. You had been contacted to as Chief Economic Planner of the state on the subject “Corruption in Nigeria is endemic: Challenges and Solutions”, how do you intend to delight your audience?

2. Conceptualize government failure. What are the scenarios in which it could occur?

b. Presently the global economic is witnessing a nose dive given the pandemic (Covid-19), due to widespread shutdown of productive activities in biig economies, restriction of movement by governments, human capacity development inhibitions etc,, and your home country has done same. As a social crusader and sciencist will you support the gesture in Nigeria? Justify your answer with parcatical examples.

**ANSWER**

1. **WHAT IS PUBLIC EXPENDITURE?**

Public expenditure is spending made by the government of a country on collective needs and wants such as pension, provision, infrastructure, etc. Such expenditures are made for the maintenance of the governments as well as for the benefit of the society as whole. Public expenditure is an important instrument for government to control the economy. It plays an important role in the functioning of an economy whether developed, developing or under developed. It is the expenses which government incurs for the maintenance of the government and the society in general (Oriakhi 2004). They can also be refer to as expenses which government incurs in carrying out its programmes (Okoh 2008).

 **PUBLIC EXPENDITURE INCREASE AS POPULATION INCREASE IN NIGERIA**

A high growth of population naturally calls for increase in the expenses as all State functions are to be performed more extensively. We see an expansion of geographical area of almost all countries. Even in no-man’s land one finds the activities of the modern government. Assuming a fixed size of a country, developing world has seen an enormous increase in population growth. Consequently, the expansion in adminis­trative activities of the government (like defence, police, and judiciary) has resulted in a growth of public expenditures in these areas.

Changes in population growth, according to Musgrave (1989 ) , generate changes in age distribution and this trend is reflected in expenditure for education as well as care for the aged. Population growth is a major and dominant contributory factor to the growth of expenditure as government policies are geared towards narrowing, as much as possible, the gap between social and economic services with population growth. The provision of schools, hospital and other social amenities necessary has to grow with population. The result of Abeng(2005) research also indicates that in Nigeria, demographic factor (population) is an important determinant of public expenditure growth exerting a direct, strong positive and significant relationship with the level of government expenditure. In conclusion, Public expenditure does increase as population increases.

**PUBLIC EXPENDITURE INCREASE AS COUNTRY ECONOMIC DEVELOPMENT IN NIGERIA (TOO 2016)**

A central question is whether or not public sector expenditure increases the long run growth rate of the economy. Some scholars are of the opinion that public expenditure, notably on physical infrastructure and human capital, can be growth enhancing although the financing of such expenditures can be growth retarding in the short-run.

 The share of government capital expenditure in GDP is positively and

significantly correlated with economic growth, while the growth effect of current

expenditure is insignificant for our group of countries. At the sectoral level, government investment and total expenditures in education are the only outlays that remain significantly associated with growth throughout the analysis.

In Nigeria and other developing economies, over the years, there have been a steady increases in government spending without an appreciable and comparable increases in economic growth and development. These have led to several researches and intereson the role of government spending in the long term growth of national economies by economist. In Nigeria, despite the huge amount of expenditures, there is still significant level of development witnessed. Public expenditures on all sectors of the Nigerian economy is expected to lead to economic growth in the sense that capital and recurrent expenditure will boost the productive base of the economy which in turn will lead to growth.

 Government expenditure is a major component of national income as seen in the expenditure approach to measuring national income: (Y = C+I+G +(X –M)). This implies that government expenditure is a key determinant of the size of the economy and of economic growth. For a resource-and cash-rich country(Nigeria) having nearly 70% of its population living in relative poverty conditions, whose infrastructures are in a state of decay, whose health, education and other growth-promoting and welfare -enhancing institutions are in a state of near-collapse, whose roads (most of them) have become death traps due to their deplorable conditions, whose power sector is in a state of moribund, whose rates of unemployment, illiteracy rate, poverty rate (evidenced in the number of people living in shanties, with little or no access to quality education, medi-care, potable water, etc.) is increasing as the clock ticks, whose human development index its continuously reducing, etc. Amidst all these problems the government has continuously increased her expenditure. Therefore one would expect that there will be a comparable achievement on economic growth in Nigeria, but otherwise has been the case. The problems highlighted above have been there over the years despite various works done by researchers and authors on the field of study. Nigeria has consistently had deficit spending over the years without equivalent rate of economic growth.

b. **CORRUPTION IN NIGERIA: CHALLENGES AND SOLUTIONS**

Corruption is Nigeria's biggest challenge. It is found in every sector of society. Nigeria like many developing countries has continued to face many social and economic problems. These include poor public spending on education and healthcare, high unemployment, low incomes and high level of poverty, rising insecurity, kidnapping, cattle rustling, and cultism, to mention just a few. A major factor that has been blamed for the poor standards of living in Nigeria is the massive corruption in the public sector. Over the years, public sector in Nigeria has been characterized largely by ineffectiveness and inefficiency. The challenges of corruption remain a major devastating issue facing Nigeria since the colonial period, although, this phenomena has become a cankerworm that has eaten deep into the fabrics of our system

The meaning of corruption differs from one place to the other, and what is considered as corruption in a particular society might be viewed as the norm in another. One of which is that corruption is the offering of a bribe to an official so that the truth will be hidden. It involves the embezzlement of public funds for personal use, and any act that is considered to be criminal in nature according to the law of a particular society. Reducing corruption has been one major challenge facing government and policy makers in Nigeria. Corruption in Nigeria hurts a lot of people, as the money that would have been used to reduce poverty in the country is being channeled into the pockets of a select few.

**CHALLENGES/PROBLEMS OF CORRUPTION**

1. Corruption increases the volume of public investments (at the expense of private investments), as there are many options that allow for public expenditure manipulation and are carried out by high-level officials so as to get bribes (which means that more general government expenditures or a large budget offer more opportunities for corruption).
2. It redirects the composition of public expenditure from the expenditure necessary for basic functioning and maintenance to expenditure on new equipment.
3. Corruption also tends to pull away the composition of public expenditure from the necessary fixed assets for health and education, as there is less chance of getting commissions than from other, perhaps unnecessary projects.
4. It reduces the effectiveness of public investments and the infrastructure of a country.
5. It can also reduce tax revenues by compromising the ability of the state administration to collect taxes and fees, although the net effect depends on how the nominal tax and other regulatory burdens were selected by the officials, exposed to corruption.
6. It affects employment because the job does not go to the most suitable or qualified person, but the one who is ready to pay for it or in any other way return the favor.
7. It also affects total investments.
8. Corruption affects the size and composition of foreign investments and the size of public investments.
9. It affects the effectiveness of investment decisions and projects. In the presence of corruption, the investments are smaller, as entrepreneurs are aware that they will have to bribe the officials or even give them a profit share for a successful implementation of a business. Due to these increased costs, the entrepreneurs are not interested in investing.

**SOLUTIONS TO CORRUPTION IN NIGERIA**

1. **END IMPUNITY**

Effective law enforcement is essential to ensure the corrupt are punished and break the cycle of impunity, or freedom from punishment or loss.  Successful enforcement approaches are supported by a strong legal framework, law enforcement branches and an independent and effective court system.

1. **REFORM PUBLIC ADMMINISTRATION AND FINANCE MANAGEMENT**

Reforms focussing on improving financial management and strengthening the role of auditing agencies have in many countries achieved greater impact than public sector reforms on curbing corruption.  One such reform is the disclosure of budget information, which prevents waste and misappropriation of resources.

1. **PROMOTE TRANSPAREMCY AND ACCESS TO INFORMATION**

Countries successful at curbing corruption have a long tradition of government openness, freedom of the press, transparency and access to information. Access to information increases the responsiveness of government bodies, while simultaneously having a positive effect on the levels of public participation in a country.

1. **EMPOWER CITIZENS**

Strengthening citizens demand for anti-corruption and empowering them to hold government accountable is a sustainable approach that helps to build mutual trust between citizens and government. For example, community monitoring initiatives have in some cases contributed to the detection of corruption, reduced leakages of funds, and improved the quantity and quality of public services.

1. **CLOSE INTERNATIONAL LOOPHOLES**

Without access to the international financial system, corrupt public officials throughout the world would not be able to launder and hide the proceeds of looted state assets. Major financial centres urgently need to put in place ways to stop their banks and cooperating offshore financial centres from absorbing illicit flows of money.

In conclusion, though there is no definite way to curb corruption because whether we like it or not, as long as people exists with the bad eggs among us, there will always be some form of corruption. It is impossible to totally clear corruption but it is possible to reduce it.

1. **GOVERNMENT FAILURE**

The phrase "government failure" emerged as a term of art in the early 1960s with the rise of intellectual and political criticism of government regulations. Building on the premise that the only legitimate rationale for government regulation was market failure, economists advanced new theories arguing that government interventions in markets were costly and tend to fail.

 Government failure, in the context of public economies, is an economic inefficiency caused by a government intervention, if the inefficiency would not exist in a true free market. It can also be defined as a situation where government intervention in the economy creates inefficiency and leads to a misallocation of scarce resources. The idea of government failure is associated with the policy argument that, even if particular markets may not meet the standard conditions of perfect competition required to ensure social optimality, government intervention may make matters worse rather than better.

As with a market failure, a government failure is not a failure to bring a particular or favored solution into existence but is rather a problem which prevents an efficient outcome. Government failure (by definition) does not occur when government action creates winners and losers, making some people better off and others worse off than they would be without governmental regulation. It occurs only when governmental action creates an inefficient outcome, where efficiency would otherwise exist. A defining feature of government failure is where it would be possible for everyone to be better off (a Pareto improvement) under a different regulatory environment.

**WHEN DOES GOVERNMENT FAILURE OCCUR?**

1. **Lack of incentives:** In the public sector, there is limited or no profit motive. Because workers and managers lack incentives to improve services and cut costs it can lead to inefficiency. For example, the public sector may be more prone to over-staffing. The government may be reluctant to make people redundant because of the political costs associated with unemployment.
2. **Imperfect Knowledge:** Information failure is also an issue for governments, given that government and policy makers do not necessarily ‘know’ enough to enable them to make effective decisions about the best way to allocate scarce resources. Government intervention requires decisions to be made about the degree of intervention and its timing. In order to prevent or reduce market failures, tax rates need to be set and level of subsidies and minimum prices must be decided. However, governments and agencies do not have access to all the knowledge that it required to set the necessary rate or level to achieve the desired outcome.
3. **Human factor:** People working inside the governments are also ordinary humans. It is usual for humans to strive to reach personal interests and maximize welfare. Thus if a person places own interests above common interests, decisions taken by such person can degrade public welfare.
4. **Unintended consequences.**Policies to reduce relative poverty ‘means-tested benefits’ can create ‘welfare dependency.’ For those on means-tested benefits, moving from benefits to work could lead to very little extra income because of lost benefits and higher taxes. Benefits can then solve one problem of relative poverty but create new problems of higher spending and lower levels of labour market participation.
5. **Political self interest:** When politicians and civil servants seek to pursuit self-interest, it can lead to incorrect allocation of resources. The pressures of the upcoming elections or the influence of interest groups can support an environment in which inappropriate spending and tax decisions can be made.
6. **Moral hazard**: The government may offer a guarantee to all bank deposits to protect the financial system, but this could encourage banks to take risks – because they know they can be bailed out by the government.

B. **Do I support the gesture and measures taken in Nigeria about the global pandemic, Covid-19? Yes I do.**

As we all know, Covid-19 is a widely infectious disease that has taken the world by storm infecting over two million people across the globe and caused over 500,000+ deaths. Though it has a recovery rate of 90%, the risk is still high for those with weak immune system or other health complications, both young and old. The disease, Covid-19 does not spare anyone. Almost all countries around the world have gone on a global lockdown, restricting movements and encouraging social distancing, Nigeria being one of them.

As of now, Nigeria has a total confirmed case of over 600+ people. Some might think that the numbers are too small for the country to go on lockdown but unlike other countries who have tested hundreds of thousands of their citizens, Nigeria has tested **less than 10,000.** This is a very poor statistics and the fact that some Nigerians are not willing to learn from the mistake the US made continues to baffle me. They blame our government of killing the country but the citizens too play a huge role in this.

Though this may have been prevented from the very beginning if our President had closed down the border way back. But its spilled milk already. The lockdown placed by the government is to help stop the spread of the disease, yes our economy and infrastructural facilities may suffer from this but what is the point of trying to maintain the economy when there are risks of people’s life and safety? The economy cannot become better if we are all sick and infected. Nigerians needs to learn this.

Using US as an example again, they ignored the warnings of others telling them to stay at home, they chose to be stubborn, having protests and gatherings fully aware of how dangerously fast the disease spreads. Their President too who was expected to be their ‘leader’ was ignorant until he saw the cases rise. Now they’re the top most infected country in the world having more than 700,000+ cases. If God Forbid, Nigeria moves like the way US did, we will not survive. US might be able to bounce back because of how developed and level of technological advances they have but what does Nigeria have? We aren’t developed. We don’t have the amount of resources the US has after this. We aren’t technologically sound. We literally would be digging our own graves and the damages would be much more severe than what we expected.

This is not the end of the world. Covid-19 won’t infect us if we stick to the proper preventive measures. Businesses are all shut down, those are what most Nigerians do everyday to put food on their table, I agree. But if we don’t listen now, if we really continue to be stubborn and still break the rules, if we don’t see the long term result and not the short term, if we choose to be ignorant, then the consequences would be dire. The economy will bounce back sometime as long as there are people **alive** working on it. Future leaders are amongst us, we don’t know who can really change Nigeria. This is only temporary, it will all subside later on. We just need to be patient, be wise and rely on God most of all, to be safe.