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PUBLIC SECTOR ASSIGNMENT

QUESTION:

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 delight your audience?

1. 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 big economies, restriction of movement by governments, human capacity development inhibitions etc. and your home country has done same. As a social crusader and scientist will you support the gesture in Nigeria? Justify your answer with practical examples.

1. **PUBLIC EXPENDITURE**

Public expenditure is the government spending of a country in collective wants. It the expenses incurred by the government in maintenance of the country for economic benefits. The increase of public expenditure is the increase in government expenses as result of the continuous expansion of government activities to achieve development. In most developing countries the government is seen as a change factor, the size of government expenditure reveals the magnitude of government involvement in the economy. For a country like Nigeria who has a weak and uncompetitive private sector its main objective is to promote societal welfare.

The reasons for the increase in public expenditure are as a result of the following; expansion of state activities, increase in population, increased expenditure on war, rise of democracy, rise in price level, welfare states, economic planning, growth of public sector, basic infrastructure.

Population growth as a reason for the increase public expenditure is because developing countries need more public expenditure funds. Nigeria as a developing country has seen an enormous population growth resulting to the expansion in administrative activities of the government. With this increasing population the public expenditure also increases as the government need to provide the necessary infrastructures. This increases the amount budgeted for public expenditure as it the government’s responsibility to provide the necessary infrastructure such as electricity, water, health care centers etc. it is supported by the Musgrave(1989) theory of public expenditure. It is important for the public expenditure to increase as it covers the gap between the population and available economic services.

Economic development is another reason for the increase in public expenditure. Economic development requires development of economic infrastructures. A developing country like Nigeria is faced with an increasing size of government operations and its impact on economic growth. This supported by the Wagner theory of public expenditure which is that the increase in state activities leads to the increase in government spending for a higher level of economic development. As the public sector responds to the increasing demand for its goods and services, the budget layouts which accompany them increase and consequently, the relative size of the public expenditure expands.

**B. CORRUPTION IN NIGERIA IS AN ENDEMIC: CHALLENGES AND SOLUTIONS**

Corruption is a form of dishonesty or criminal offense undertaken by a person or organization entrusted with a position of authority, to acquire illicit benefit or abuse power for one’s private gain. Corruption is a worldwide phenomenon which continue to ravage the states with endemic corruption activities. Corruption is more rampant in developing countries like Nigeria causing more harm than good to their economies. Over the years Nigeria has become well known for its corruption especially its political corruption, in 2018 it was ranked 144th out of 180 countries listed in Transparency International’s Corruption Index.

Nigeria is classified as one of the poorest countries despite its abundant natural resources with the fact that 54% of the population earns less than $1 per day. Even with the large revenue generated from the oil and non-oil sectors there is little increase in the public infrastructure development recorded. Corruption is a way of life in Nigeria as it occurs in all sectors and level of the country, even educational institutions and religious places practice corruption to an extent. The Nigeria’s anti-corruption body EFCC (Economic and Financial Crimes Commission) approved by the government has proved to be ineffective as the corruption cases still keep increasing on a daily basis.

There are numerous issues that cause corruption, they include the following; greed, poor youth empowerment, poverty, unemployment. Greed is the major causes of corruption in Nigeria as our political leaders continue to embezzle funds meant for national development for their own selfish needs. Poor youth empowerment is a result of lack of proper upbringing as parents and government have failed to install the right moral value in the youths. Nigerians lack the understanding of importance of youth empowerment as the need both financial and moral empowerment for the level of corruption to diminish. Poverty leads people to corruption as more than 50% of the Nigerian population is poor and the poverty keep increasing. The poor citizens are pushed to collect bribes from politicians to commit crimes just to provide for themselves or families. Nigeria has many unemployed qualified youth who are pushed into corrupt practices to make money and have a better life.

The anti-corruption agencies in Nigeria have seen to be unproductive as Nigeria still ranks around the bottom of most corrupt. These agencies have face different challenges in fighting corruption in Nigeria and are even involved in corrupt practices as they cover up some crimes by political leaders. The challenges of these agencies are;

1. The country lacks good governance.
2. The country’s has a weak judiciary system.
3. The law enforcement agencies are ineffective as they are also corrupt.
4. There constant political interference with their investigation.
5. They have lost faith in the government as they many unfulfilled promises.
6. They have a poor wage and remuneration structure as their wages and salaries are discouraging.
7. Lack of effective public education and awareness of masses on their rights and on the consequences of corruption and other related offences.
8. Inconsistency in administration and policies.

This challenges have made it difficult for them when fight corruption in Nigeria.

There are recommended solution to the challenges faced by the anti-corruption agencies in Nigeria to help reduce the level of corruption to the lowest minimum in the country. The solutions are;

1. Introduction of national reorientation programs to educate people on the negative impact and the need to eradicate corruption in all facets of Nigeria’s public life. This programs should also be included in schools syllabus to educate children and teenagers on the negative effects of corruption before they become adults.
2. Religious leaders should able to influence their followers with the right moral values and also emphasize more on the importance of a good name than wealth.
3. The law enforcement agencies should be strengthen and motivated with adequate remuneration to be more effective. They should also be recognized for their effort in fighting corruption in the country.
4. People prosecuted for corrupt practices should be well punished for their crimes and also used as an example to citizens no matter the degree of their corrupt practices.
5. The government must introduce an equitable wages and incentive system and improve other conditions of work so that the level of poverty could be reduced and the quality of life improved. The government should also create job opportunities for the unemployed population.
6. The judicial system should be strengthen for laws and policies against corruption to be effective in the country. These laws and policies must be enforced as it restricts the interference of politicians in the investigation or work of the anti-corruption agencies.

Corruption has become part of Nigeria like a deadly disease eating up the economy and society making us well known for corruption. For corruption to be eradicated in Nigeria it has to start with every individual in the society discouraging their little corrupt practices before the society at large can change its mindset to fight corruption.

1. **MARKET FAILURE**

Market failure is an economic situation characterized by the inefficient distribution of goods and services in the free market. It occurs when the price mechanism fails to account for all of the cost and benefits necessary to provide and consume a good. Due to market failure, the supply and demand within the market do not produce quantities of the goods where the price reflect the marginal benefits of consumption. The structure of markets make impossible for them to perfect.

During market failure the government intervenes through the following;

* Legislation i.e. enacting specific laws.
* Taxation (placing taxes on specific goods to discourage use and internalize external costs).
* Tradable permits for firms to produce certain goods.
* Extension of property rights.
* Advertising goods to either discourage or encourage consumption.
* International cooperation among governments.
* Direct provision of merit and public goods.
* Subsidizing certain goods based it’s the public benefits.

Government intervention is like a situation to market failure as it provides possible government responses.

It is important to identify the reasons why a market can fail to fully understand market failure. There are different market structures making it impossible for them to be perfect. Most of these market are not successful and require government intervention. The reasons include;

* Positive and negative externalities: an externality is an impact on any party not involved in a given economic transaction or act. A positive externality is a positive spillover that results from the consumption or production of a good or service. A negative externality is a negative spillover effect on third parties.
* Use of public goods: public goods are goods where the total cost of production does not increase with the number of consumers. The public goods are provided by the government whereby its usage by an individual does not another. This leads to the free rider effect whereby people can benefit from public goods without paying it.
* Abuse of monopoly power: monopoly is a market situation where there is only one supplier of a good and they fix the price of the good. A market failure will occur due to the fact that a seller will not distribute the adequate price of a good leaving the consumers with no other choose because they is no close substitute.
* Incomplete information: when the supplier does not have the adequate required information it will lead to market failure as he does not know the right quantity to supply to the consumer.

During market failure, the government usually intervenes depending on the reason for the failure.

**B. THE EFFECT OF THE COVID 19 PANDEMIC ON THE NIGERIAN ECONOMY**

The coronavirus disease (COVID 19) is an infectious disease caused by serve acute respiratory syndrome coronavirus2. The first case identified in December 2019 in Wuhan China, and has since spread globally, resulting in ongoing 2019-20 coronavirus pandemic. The disease has common symptoms as fever, cough, and shortness in breath. In complicated cases it may result to kidney failure, pneumonia, viral sepsis, acute respiratory distresses syndrome. The time from exposure to onset of symptoms is typically around five days but may range from two to fourteen days. The virus is majorly spread between people during close contract i.e. having contact with infected people. Currently the global statistics for the COVID 19 is about 2.57 million confirmed cases from 185 countries, resulting to more than 177,000 deaths and more than 688,000 people have recovered.

Nigeria’s first confirmed case was identified on the 27th February 2020, when an Italian citizen was first tested positive to the coronavirus in Lagos. To prevent the spread Nigeria’s president lockdown announced a lockdown in two states (Lagos and Ogun state) and the F.C.T. Lagos is seen as the economic center of the country and it shares broader with Ogun state which houses the major industrial estates of the country, and Abuja is the seat of government.

The Nigerian government acknowledged the lockdown restriction will make it hard for people to feed as more than 50% of the country’s population are unemployed thereby distributing relief materials to communities in the states affected. But the government did not take into consideration that most household’s livelihoods depend on the self –employed and small scale entrepreneurs.

The unemployment rate in Nigeria has gotten worse as most people deep on their daily wage to feed themselves or the families and most of the people have been living under 1 dollar. Most of the people work in agricultural services and manufacturing sectors. The lockdown order is to prevent the spread of the virus but the lower class population do not understand it because the source of livelihoods had being cut short. The government need to orientate them on the benefits of the lockdown and also make sure that the relief materials get to them and is sufficient for the lockdown period.

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