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**COURSE: PUBLIC SECTOR**

**ASSIGNMENT**

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

 Public expenditure is spending made by the government of a country on collective needs and wants such as a pension, provision, infrastructure etc.

The structure and size of public expenditure will determine the pattern and form of growth in the output of the economy.

The theory of public expenditure is the theory of the costs of providing goods and services through the public sector budget and/or the theory regulations and laws introduced that will result in private sector expenditure.

The earliest theory of public expenditure could be traced to Adolph Wagner (one of the leading German economists of his time) who in 1883 propounded an interesting development thesis, which loosely held them as a nation develops its public sector and consequently public spending will grow in importance.

Following Wagner’s law, as national income rises, the public expenditure also rises to meet the demands of the people. As the economy grows and income rises, the demand for goods, including public goods will rise, which as a consequence pushes the public expenditure up. He argued that government growth is a function of increased industrialization and economic development.

 Research has shown that as the economy develops, the expenditure of government tends to increase with an increase in economic activities. Growth may vary from one country to another. The spread of urbanization is an important factor leading to the relative growth of public expenditure in modern times. With the growth of urban areas, there has been an increasing tendency of expenditure on civil administration.

Despite the increase in the magnitude of expenditure over the years, the Nigerian economy is still described as underdeveloped. This research is interested in investigating whether the rising raising public expenditure has a positive impact on the growth of Nigeria economy.

 Population change may also be a major determinant of the public expenditure share.

According to Musgrave, change in population growth, generate changes in age distribution and 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 high growth of population naturally calls for an increase in the expenses as all state functions are to be performed more extensively. The result of this 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, I agree with the above statements about Nigeria.

b) You had been contacted as a 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?

 Corruption is a form of dishonesty or criminal offence undertaken by a person or organization entrusted with a position of authority, to acquire illicit benefit or abuse power for one’s private gain.

It may include activities like bribery and embezzlement, though it may also involve practices that are illegal in many countries. Corruption is a stigma that destroys the reputation of affected countries.

Corruption is also believed to be endemic in modern government and it is not peculiar to any continent, region or ethnic group.

The forms of corrupt activities prevalent in Nigeria include political corruption, bureaucratic corruption, electoral, embezzlement and bribery. The consequences of corruption are unfavourable for the progress of any society. The more corrupt a country is, the slower its economic growth rate. It lowers investment thereby lowering the economic growth of the country.

 In Nigeria, it is one of the many unresolved problems that have critically hobbled and skewed development. It remains a long-term major political and economic challenge for Nigeria.

To effectively control corruption in Nigeria and the challenges it poses, requires an understanding of its causes. Dininio and kpundeh (1999), dike (2003), and obayelu (2007) traced the root causes of corruption in Nigeria to the poor payment system in the country, tepid attitudes of officials who are charged with enforcing the laws lead to corrupt behaviours. There are a lot of negative impacts of corruption in every sphere of societal development: social, economic and political. This includes;

1. Corruption brings about loss of tax revenue as people and corporate entities evade tax or claim improper tax exemptions thereby resulting in loss of revenue.
2. The retardation of economic growth in such a way that it lowers investment and retards economic growth.
3. The misallocation of talent where rent-seeking proves more lucrative than productive work such that talents are misallocated and people will then be lured to rent-seeking rather than productive work. Etc.

 The introductions of two institutions to tackle corruption in Nigeria are economic and financial crimes commission (EFCC) and independent corrupt practices and other related offences (ICPC). These anti-corruption crusades had both positive and negative impacts in Nigeria.

 The solution to corruption:

1. The government should go beyond the mere pronouncement of anti-corruption policies. It should rather provide good governance and an enabling environment for democratic ideals to thrive.
2. Strengthen the constitutional institutions set up to fight corruption which may require amendments of the enabling acts and make their existence relevant and proactive and, operations effective, efficient and result-oriented.
3. The government must introduce an equitable wages and incentive system and improve other condition of work so that the level of poverty could be reduced and the quantity of life improved which will inevitably reduce civil servants vulnerability and susceptibility of corruption.
4. Increase awareness on the economic, political, social and legal cost of corruption and corrupt practices on individuals and the society at large.
5. Conceptualize government failure. What are the sceneries in which it could occur?

 Government failure is a situation where government intervention in the economy creates inefficiency and leads to a misallocation of scarce resources. Often government failure arises from an attempt to solve market failure but creates a different set of problem.

 REASONS FOR GOVERNMENT FAILURE;

1. IMPERFECT KNOWLEDGE: Government policies suffers from the pretence of knowledge the government does not necessarily know enough to enable them to make an effective decision about the best way to allocate scarce resources. Often a government will decide to go ahead with a project or policy without having the full amount of information required for a proper cost-benefit analysis. The result can be misguided policies and long-term consequences.
2. REGULATORY CAPTURE: the term "regulatory capture" denotes a government failure where the regulatory agency does not pursue the original intent of promoting the public interest but falls victim to the special interest of those groups which the agency was set up to regulate. When an industry is under the control of the regulatory appears to operate in favour of the vested interest of producers rather than can consumers.
3. COST OF ADMINISTRATION: excessive bureaucracy is also a potential government failure. This is caused by the public sector when it tries to solve the principal-agent problem.

SCENARIOS IN WHICH GOVERNMENT FAILURE CAN OCCUR:

 Government intervention to try and correct market failure could cause government failure. Example;

* Government intervention in transportation: transportation is prone to market failure as it is good with significant externalities. For instance, driving a car in a city causes congestion and pollution whereby there are two externalities and government may try and intervene in the economy by building new highway and raising taxes which could reduce congestion and help solve market failure but there might government failure. This action may encourage more people to buy a car and live further out of the city. In the long run, increasing supply will affect increasing demand. After a few years, the level of congestion could be as bad as before and in addition to the failure to solve congestion, the government have increased the level of pollution and wasted public funds.
* Subsidy for loss-Making firms: The government may be worried that if a large steel plant firm closes down it could result to unemployment and this unemployment will be a typical market failure as unemployed steelworkers may struggle to gain employment in a new area. As a result of this, the government intervenes to give a subsidy to the steel plant and keep the firm in business. The government giving subsidies to failing business can lead to government failure. As a result of this, the firm could get used to receiving government subsidy and be reliant on it and the government ends up wasting public funds on supporting inefficient firms. In the long run, consumers may end up paying higher taxes and higher prices for steel.
1. Presently the global economy is witnessing a nose dive given the pandemic (COVID-19), due to the widespread shutdown of productive activities in big economies, restriction of movement by government, human capacity development inhibition etc and your home country has done the same. As a social crusader and scientist will you support the gesture in Nigeria? Justify your answer with practical examples.

 COVID-19 pandemic is arguably the biggest challenge facing humanity today. The outbreak has since spread to about 196 and territories in every continent and one international conveyance across the globe. While there are ongoing efforts to curtail the spread of infection which is almost entirely driven by human-to-human transmission, it is accounted for over 2,499,723 confirmed cases have been detected worldwide with over 171,718 deaths and 659,589 people now recovered.

 The emergence of COVID-19 and its increasing incidence in Nigeria has called for drastic review and change in the earlier revenue expectations and fiscal projections. Before the pandemic, the Nigerian government had been grappling with weak recovery from the 2014 oil price shock, with GDP growth tapering around 2.3 per cent in 2019. With this pandemic, there was a lockdown called which insinuate the means of daily livelihood have been locked which affects the components of aggregate demand such as;

1. Declining consumption involves the restrictions on movement such as social distancing and erosion of wealth due to a fall in the value of assets such as stocks.
2. Declining net exports which involves border closure to non-essential trade limited markets for exports due to fall in global demand.

 The lockdown, however, prevents many Nigerians working in informal sectors from travelling to work or conduct their business. It is without a doubt that start-ups and small businesses will be hit during this tough time. Local food vendors and traders have expressed fears over their ability to feed their families during the lockdown, with their daily earnings their only source of sustenance’s thereby putting them in a difficult position of living. An increase in food prices as a result of the lockdown also means that many cannot stick on necessities. Informal workers have lower-incomes, often do not have savings, health insurance or pensions that provide a basic social safety net and 72 per cent are poor.

 The reason for this lockdown/ shutdown of economic activities was to prevent the rapid spread of the coronavirus pandemic from person to person and stabilizes the society by avoiding more spread. Due to this pandemic, it enables the government to plan against activities such as budgeting heavily on hospital, drugs, communication and schools.

 In conclusion, I am in support of the action Nigeria took to prevent the spread of this virus.

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