

NAME: AKPAN .U. MONDAY

MATRIC NO: 17/SMS01/005

COURSE: PUBLIS SECTOR ECONOMICS

COURSE CODE: ECO 304

Question 1

Public expenditures are expenses or spending incurred by the public authorities i.e. central, state and Local government such expenditures are made for the maintenance of the government as well as for the benefit of the society.

Causes of increase in public expenditure:

There are several factors that have contributed to enormous and significant increase in public expenditure over the years they include:

- 1) **Population growth:** 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 significant growth of public expenditures in these areas
- 2) **Defence Expenditure:** The mega growth of public spending can be credited to threats of war. No war has been conducted in the second half of the twentieth century but war threats are still in play, rather it looms large. Thus mere sovereignty, demands a larger allocation financial resources for defence preparedness. This also has to do with the advancements in technology applied to the defence system in the world.
- 3) **Inflation:** This is the general rise in the price level of goods and services. It increases the cost of all activities of the public sector and thus a major factor in growth in money terms of public expenditure.
- 4) **Foreign aid:** Acceptance by the richer industrialized countries of their responsibility to help the poor developing countries has channelled some of the increased public expenditure of the donor country into foreign aid program
- 5) **Welfare activities** – Modern government spend huge money for the purpose of economic development. It plays an active role in the production of goods and services and such investment is financed by the government.

Public Expenditure increases even as population increases.

Population growth is the increase in number of individuals residing in a particular geographical region. However population increase can affect the rate at which public expenditure as government is likely to spend more in capital expenditure, recurrent expenditure welfare provision and security both within and from external attacks.

National Expenditure increases in developmental stages

The relationship between government expenditure and economic growth, the empirical evidence does not reveal any strong correlation. The size of government may engender strong ideological debate, but the position that the aggregate level of government expenditure is a significant determinant of growth rates receives little support. Government expenditure as a share of GDP in low- and middle-income countries, on average, is lower than comparable shares in industrial market economies and, with few exceptions, is growing. Many factors, including ideology, demographics, a positive income elasticity for public goods, the rising cost of public goods relative to private goods, and perhaps development theory and practice, explain this growth.

However in the case of Nigeria, the result is that government expenditure (Capital and recurrent) and broad money supply have positive linear relationship with economic growth in Nigeria. Particularly the government capital expenditure has significant positive effect on the growth of the Nigerian but the recurrent expenditure has a non-significant positive effect on economic growth in Nigeria as the results cannot be seen in the lives of the individuals in the country some are still living below average.

Question 1b

Corruption in Nigeria is Endemic

Corruption is a household name in every society nowadays and the negative impact it has on the socio-economic and political setting of a country can hardly be over emphasized. Nigeria is known to be one of the most corrupt countries. Corruption remains a priority concerns to the Nigerian Government and People. 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. Over the years, public sector in Nigeria has been characterized largely by ineffectiveness and inefficiency. High-level corruption has been identified as being responsible for Nigeria's underdevelopment and growing crimes rates. It is instructive to note that the Nigerian government and citizens have not totally committed themselves to introducing and implementing measures that can prevent or drastically reduce the extent and consequence of corruption in the country.

CAUSES:

The nature of Nigeria's political economy, the weak institutions of government and a dysfunctional legal system stands a solid foundation of corruption in the country. Absence of clear rules and codes of ethics leads to abuse of discretionary power make most Nigerian vulnerable to corrupt practices. Low civil service salaries and poor working conditions, with few incentives and rewards for efficient and effective performance, are strong incentives for corruption in Nigeria. Other factors are: less effective government works with slow budget procedures, lack of transparency, inadequate strategic vision and weak monitoring mechanisms make Nigeria a fertile the environment for corrupt practice. The overall culture of governance has also played an important role. Most of Nigeria leaders and top bureaucrats are setting bad examples of self-enrichment or ambiguity over public ethics thereby promoting the lower level officials and members of the public into corrupt practices, Hence, bribery and corruption are taken by many Nigerians as norm even in the face of anticorruption crusades intended to support clean governance. Corruption and inefficiency are characteristics of service delivery in Nigeria, although private companies seem to perform more efficiently and less corruptly than public enterprises

Challenges:

It is hard to enter any sector in Nigeria without observing one corrupt practice or another. In fact, corruption is not only observed in the public sector and politics.

Political Corruption

There has been alot of published articles about the high level of corruption in Nigeria politics, yet the perpetrators pretend and act less concerned about it. They believe to be above the law. Corruption levels are highest in Nigeria's political system. In both the Senate and the House of Representatives, corruption is seen as normal.

However due to the "chronic level" of corruption, both the young and the old struggle to align themselves into various political parties. They believe that once they take any position in politics, even a low-level position, they will use corrupt tricks to fill their pockets with public funds.

Embezzlement

Embezzlement of public funds is common. Many leaders have helped boost the economies of other nations by depositing embezzled money into foreign banks.

Political corruption is persistent in the Nigerian state. Since the creation of modern public administration in the country, there have been cases of official misuse of resources for personal enrichment. After the death of the former president, Sani Abacha, an investigation was carried out to determine the amount of money he embezzled in gas plant construction in the country. The investigations led to the freezing of accounts containing about \$100 million United States dollars that he stole (Hector 2004). This shows the height of embezzlement in the country.

Election Rigging

Election rigging is not an unheard-of phenomenon. During elections, the candidates hire thugs who go around the election polling stations to highjack the ballot boxes. When they steal these boxes, they then write in votes for their candidate. In recent times, a new tactic that contestants have adopted is buying voters' cards so that they can manipulate and use the cards to their advantage.

Bribery

On many occasions, politicians have bribed top officials to commit illegal acts to their favour. Some political leaders, including governors and presidents, have been sued by opponents, but the sued were able to escape punishment by bribing attorneys and judges. At the end of the judgment, the leader who bribed someone won the case.

Corruption in the Police Force

There is a saying that "police are your friends" in Nigeria; policemen are your enemies because they can deny the truth and collect bribes to do so. Because of the encounters many Nigerians have had with policemen, even the good ones among them are generalized as being bad. What a shame. The police who work in some checkpoints on the expressways cannot do so without collecting bribes from car owners and drivers. Their interest lies in collecting money from drivers and not in securing the road. Bribes become compulsory even when your particulars are in order.

Some female prison inmates come out of prison pregnant. What this implies is that the policemen sexually assault women who are imprisoned. The women may say no, but because the policemen have guns, the women cannot do anything. They were impregnated before they were granted bail. What kind of prayer will erase this kind of abomination?

Internet Fraud

Fraudulent Internet activity is another face of corruption. Graduates and non-graduates who lack the knowledge and skills to help them earn money find joy in Internet fraud. It is a criminal act and deserves serious punishment. Among the classes of offences committed in Nigeria, both the Senate and members of the House of Representatives are working hard to see that those caught in such acts face the punishments they deserve without any favour.

Solutions to corruption

1. Self-Satisfaction

When the leaders of Nigeria are satisfied with the salary they are paid and use public funds in a proper manner, the issue of embezzlement and money laundering will be history. Managers who are satisfied with what they are paid will not have time to indulge in corruption to make more money.

2. Institution of strong Anti-corruption Groups

Creating strong anti-corruption institutions is another arsenal to win the fight against corruption. This group is to work independently with the government to ensure transparency. Anyone who is caught engaging in corrupt practices by the group should experience the consequences decided by the anti-corruption agency. That he is a minister or governor of a state should not be an excuse from facing the punishment he is to receive according to the Constitution of Nigeria.

3. Employment Generation

The unemployed in the country find themselves involved in corruption mainly because they want to make money to meet the demand of the day. Governments and capable hands should endeavour to generate more jobs for citizens to get employed and paid in return. A busy mind may find it difficult to indulge in corruption because he is being paid adequately.

4. Proper Government Funding Of Schools

Understanding the importance of skill acquisition will go a long way to propel them to develop all the schools in Nigeria. When more attention is paid to the tertiary institutions in the country, it will produce graduates who are employable. Installation of the necessary machines needed in universities will help Nigerian graduates acquire skills and use them to generate income, even if no company employs them after graduation.

Self-employment will make graduates more determined in the work they do and will prevent them from corruption like Internet scams, kidnapping and the rest.

5. Treating All Citizens Equally

Treating any offender in the country equally will help reduce corruption. Nobody is above the law and any who acts contrary to it should be given the punishment that he or she deserves. That she is the Minister of Aviation or Governor of the Central Bank of Nigeria should not count in this case. If any minister or head of state is given the punishment he deserves for corruption, others will learn and separate themselves from any corrupt practice.

Question 2

What is government failure?

Government failure occurs when the government intervention in the economy causes an inefficient allocation of resources and a decline in economic welfare. This arises as an attempt to solve market failure ending up creating new sets of problems.

Scenarios of which government failure can occurs;

a) Law of unintended consequences;

Finally, and related to the idea of information gaps, is idea that intervention can result in outcomes which were entirely unplanned and unpredicted. Traffic calming measures may encourage drivers to speed up in areas or stretches of roads between speed bumps, cameras or warning signs – with a result that ‘average’ speeds increase. This resulted in new systems which track average speeds. However, in an average speed area drivers may drive a below the speed limit so that they can speed up along other parts of the journey.

When assessing any intervention in the micro or macro-economy government failures are a common source of evaluation points.

b) Costs 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. Government must appoint bureaucrats to ensure that its objectives are pursued by the managers of public sector organizations, such as the NHS. Intervention through the imposition of taxes, or through legislation incurs various administration costs. Taxes must be collected through government departments, including Her Majesty's Customs and Excise (HMRC) and laws must be enforced through the legal system. Both of these incur considerable costs.

c) Distortion of the price mechanism:

Intervention through taxation, through subsidization, or via other interventions can result in a distortion of markets and a weakening of the operation of the price mechanism. Taxes and subsidies on goods and services can artificially raise or lower prices and distort how markets work to allocate scarce resources. Direct taxation can create a disincentive effect for households and firms. We have seen that taxes on harmful demerit goods, where demand is inelastic, may simply mean that more income is allocated to expenditure on harmful goods, and hence less income is available for spending on beneficial goods. The same is possible with the imposition of a minimum price, such as the one on alcohol, where spending is distorted with the consumer allocating more income to alcohol rather than less.

d) 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. For example, if the government wishes to get 3 million students to attend university each year it may decide to subsidize tuition fees, but it is highly unlikely that it could achieve such a target with precision.

Question 2b

COVID-19 was described as an infectious disease that is caused by severe acute respiratory syndrome coronavirus 2. The COVID-19 outbreak has since spread to about 196 countries and territories in every continent and one international conveyance across the globe. While there are on-going efforts to curtail the spread of infection which is almost entirely driven by human-to-human transmission, it has accounted for over 400,000 confirmed cases with over 180,000 deaths.

Effects of corona-virus to the Nigerian economy

1) The virus has taken its toll on health facilities and infrastructures across the globe. Most hospitals and health facilities unable to handle the hazards are resulting to operating below their capacity by taking a few regular health-related cases or shutting down

2) The fall in household consumption in Nigeria drives from

- ❖ Partial (or full) restrictions on movement, thus causing consumers to spend primarily on essential goods and services;
- ❖ Low expectations of future income, particularly by workers in the gig economy that are engaged on a short-term/contract basis, as well as the working poor in the informal economy; and
- ❖ The erosion of wealth and expected wealth as a result of the decline in assets such as stocks and home equity. Nigeria has a burgeoning gig economy as well as a large informal sector, which contributes 65% of its economic output.

Movement restrictions have not only reduced the consumption of nonessential commodities in general, but have affected the income-generating capacity of these groups, thus reducing their consumption expenditure.

3) Investments by firms will be impeded largely due to the uncertainties that come with the pandemic—limited knowledge about the duration of the outbreak, the effectiveness of policy measures, and the reaction of economic agents to these measures—as well as negative investor sentiments, which are causing turbulence in capital markets around the world.

Indeed, the crisis has led to a massive decline in stock prices, as the Nigerian Stock Exchange records its worst performance since the 2008 financial crisis, which has eroded the wealth of investors. Taking into consideration the uncertainty that is associated with the pandemic and the negative profit outlook on possible investment projects, firms are likely to hold off on long-term investment decisions.

As much the effect of this pandemic is negative in most areas of the economy I support the gesture of the government because good health of citizens is a priority required to continue in rendering these services and production. I also believe the government should put some structures in place to help those without the means to sustain themselves during this pandemic survive the storm. Structures like supervised social distancing in the market with limited sellers and the control of buyers coming into the market, supply of the materials of safety like the mask, gloves and sanitizer to all states and ensure it goes round, distribution of food materials, etc.