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ASSIGNMENT (ANSWERS)

1a.) Public expenditure refers to the expenditure incurred by the central government. There are different types of such expenditure. The usual distinction is between consumption expenditure and investment expenditure.Public expenditure is spending made by the government of a country on collective needs and wants such as pension, provision, infrastructure, etc. Until the 19th century, public expenditure was limited as laissez faire philosophies believed that money left in private hands could bring better returns.

Public expenditure is necessary to address the diverse social, economic and regulatory requirements of an economy. The links between public expenditure and economic growth are well recognized. Public expenditure also contributes towards economic growth and social development through multiple channels; for instance, investments in agricultural and industrial infrastructure creates backward and forward links and leads to employment opportunities. Public expenditure is likely to have beneficial effect on society, i.e., reduction of income inequality, control of business cycles, achievement of full employ­ment and so on.

Public expenditure can be used to raise aggregate demand and thereby to get the economy out of recession. On the other hand, through variation in public expenditure, aggregate demand can be managed to check inflation in the economy. Public expenditure can also be used to improve income distribution, to direct the allocation of resources in the desired lines and to influence the composition of national product. In the developing countries also, the role of public expenditure is highly significant.

Therefore going further into the topic in question, it says there exist a striking difference between the theory that public expenditure increases as population increases and that public/national expenditure increases in developmental stages, and in which case is it true about Nigeria.

This study seeks to ascertain the growth in government expenditure due to increase in population. Population growth increases with the increase in population, more of investment is required to be done by government on law and order, education, infrastructure, etc. investment in different fields depending on the different age group is required. As a result, the Government has to incur great expenditure to meet the requirements of increasing population. In fact, the public expenditure increases in the same ratio in which the population increases. 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 and 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.

Therefore, this study aims to examine empirically the factors responsible for the growth of government expenditure in Nigeria within the framework of Wagner’s law. Previous studies across the globe have revealed different factors causing expansion in government expenditure. For instance, public debt is found to be a significant factor influencing the growth of government expenditure (Eterovic & Eterovic, 2012), corruption (Mauro, 1998) and population and urbanization (Ofori-Abebrese, 2012; Shelton, 2007; Shonchoy, 2010). While other studies have identified inflation (Ezirim, Muoghalu, & Elike, 2008) and democracy (Obeng & Sakyi, 2017) as the main determinants of government expenditure, other notable factors include foreign aid (Heller, 1975; Njeru, 2003), globalization (Dreher et al., 2008) and trade openness (Cameron, 1978), among others.

There are also quite a number of studies that investigated the determinants of government expenditure in Nigeria during the past decades (see Abeng, 2005; Akanbi, 2014; Aladejare, 2019; Aregbeyen & Akpan, 2013; Okafor & Eiya, 2011; Taiwo, 1989; Ukwueze, 2015); however, we observed that these studies based their analyses towards common factors, leading to the exclusion of several variables like oil price, oil revenue, trade openness, taxation, exchange rate, among others, which have shown to be significant in various studies for other countries and are believed to have potential role in explaining the growth of public expenditure in Nigeria.

**Rostow's Stages of Economic Growth** model is one of the major historical models of economic growth. It was published by American economist Walt Whitman Rostow in 1960. The model postulates that economic growth occurs in five basic stages, of varying length:

1. The traditional society
2. The preconditions for take-off
3. The take-off
4. The drive to maturity
5. The age of high mass-consumption
6. The traditional society
   * characterized by subsistence agriculture or hunting and gathering; almost wholly a "primary" sector economy
   * limited technology
   * Some advancements and improvements to processes, but limited ability for economic growth because of the absence of modern technologies, lack of class or individual economic mobility, with stability prioritized and change seen negatively
   * This is where society generally begins before progressing towards the next stages of growth
   * No centralized nations or political systems.
7. The preconditions for take-off
   * External demand for raw materials initiates economic change.
   * Development of more productive, commercial agriculture and cash crops not consumed by producers and/or largely exported.
   * Widespread and enhanced investment in changes to the physical environment to expand production (i.e. irrigation, canals, ports)
   * Increasing spread of technology and advances in existing technologies
   * Changing social structure, with previous social equilibrium now in flux
   * Individual social mobility begins
   * Development of national identity and shared economic interests.
8. The take-off
   * Urbanization increases, industrialization proceeds, technological breakthroughs occur.
   * "Secondary" (goods-producing) sector expands and ratio of secondary vs. primary sectors in the economy shifts quickly towards secondary.
   * Textiles and apparel are usually the first "take-off" industry, as happened in Great Britain's classic "Industrial Revolution".
   * An Example of the Take-off phase is the Agriculture (Green) Revolution in the 1960s.
9. The drive to maturity
   * Diversification of the industrial base; multiple industries expand and new ones take root quickly
   * Manufacturing shifts from investment-driven (capital goods) towards consumer durables and domestic consumption
   * Rapid development of transportation infrastructure.
   * Large-scale investment in social infrastructure (schools, universities, hospitals, etc.)
10. The age of mass-consumption
    * the industrial base dominates the economy; the primary sector is of greatly diminished weight in the economy and society
    * widespread and normative consumption of high-value consumer goods (e.g. automobiles)
    * consumers typically (if not universally), have disposable income, beyond all basic needs, for additional goods
    * Urban society (a movement away from rural countrysides to the cities)

According to the growth stages of Rostow, Nigeria is currently in the Take Off stage where  manufacturing industry assumes greater importance, although the number of industries remains small. Political and social institutions start to develop - external finance may still be required. Savings and investment grow, perhaps to 15% of GDP. Agriculture assumes lesser importance in relative terms although the majority of people may remain employed in the farming sector. There is often a dual economy apparent with rising productivity and wealth in manufacturing and other industries contrasted with stubbornly low productivity and real incomes in rural agriculture. Which unfortunately is not the case for Nigeria.

1b.) Corruption in Nigeria has become “Endemic”, As the newly appointed Chief Economic Planner of the state I would like to address the citizen of the state on the subject matter “ The Challenges and Solutions to Corruption in Nigeria.

Corruption is Nigeria's biggest challenge. It's clear to every citizen that the county has an extremely high level of corruption. Corruption is found in every sector of society. Critical examination of both small and large sectors reveals corrupt practices at every level. The history of Nigeria is characterized by corruption amplified by her encounter with the European imperialists. The encounter took three stages namely slave trade, the partition of Africa by the European powers who scrambled for territories therein, and the Christianization of Africa which occurred during the partition era (Uka, 1980, Ayandele, 1966). Corruption as a way of life in Nigeria is a kind of belief or practice that defies any reasonable solution, a deliberate attempt to set forth one line of argument so forcefully, as repeatedly, and so uncompromisingly that the learner is unable to consider other alternatives of better life styles. While traditional and religious values aim at producing people with dignity, identity with critical and analytical minds, corrupt officials’ indoctrination tends to suppress the development of such minds. dependency theory tended to neglect factors internal to poor societies such as cultures or ethnic resistant to change, gender inequality, political corruption and the reckless misuse of available resources (Hornsby-Smith, 2006). Corruption has been the foundations of the maladministration in Nigeria, the separation of each from the other and the cause of intra-and-inter-ethnic group conflicts.

Like wildfire, corruption has spread through every sector of the country and most Nigerians would unflinchingly agree that corruption begets the plethora of problems the country faces today. The menace of corruption in Nigeria is one that different government administrations have publicly recognized and tried to tackle against. The past military regimes of Nigeria claimed to overthrow the civilian government in order to curb corruption, though these governments were seen as more corrupt than the civilian governments that succeeded it. In fact, the last military head of state, General Sani Abacha, was so corrupt that even nineteen years after his death, Nigeria is still recovering millions of dollars of his loot from Swiss banks. The anti-corruption rhetoric continues to this day under the current democratic system of government in Nigeria. Under his administration, President Olusegun Obasanjo established the Economic Financial Crimes Commission (EFCC) to crackdown on corrupt politicians. Most recently, Nigeria elected its current president, Muhammadu Buhari, largely based on his promise to tackle corruption. Unfortunately, these administrations were unable to eradicate, or even significantly curb, corruption. Consequently, the average Nigerian has come to expect that bribery and nepotism will trump meritocracy, and so they participate in it to preserve their own self-interest. Yet, when it comes to who is to blame for corruption, they still believe that they are blameless and that the only corrupt ones are the people in charge.

Corruption perpetuates social, economic and political inequality and thus, aggravates mass poverty as poor people on the average pay higher proportion of their incomes in bribes. This, in economic parlance, retards economic growth. The misappropriation and mismanagement of public resources by successive regimes, has rendered millions of Nigerians poor, unemployed and uneducated. This can be described as oil that worsens factors related to overall human development. In the words of Osoba (1996), it is an anti-social behavior conferring improper benefits contrary to legal and moral norms, and which undermine the authorities to improve the living conditions of the people (Aluko, 2009). Corruption also diverts public expenditure from sectors that benefit the poor the most, away to the sectors and project where kick-backs can readily be obtained by public officials. In effect, distorted priorities of public policies and diversion of public resources which could have been productively employed to increase productivity bring about effectiveness and efficiency of government performance becomes the order of the day. This also endangers the fiscal viability of the state as substantial portions of government revenues do not reach government coffers. Because the system creates avenue for leakages. Corruption, it is averred, can bring about skewing of the composition of public expenditure from social services that are important to the poor (Audu, 2008).

Corruptions can also cause reduction in quality of goods and services available to the public, as some companies could cut corners (thereby producing sub-standard goods to increase profit margins. Put differently, it generates allocative inefficiency by permitting the least efficient contractor or most costly supplier with the highest ability to bribe those who award government contracts or awarding contracts to cronies or companies where they have interest. Cumulatively, these acts undermine the reputation and make government agencies ineffective and inefficient and impact negatively on the wellbeing of the people. Corruption also impacts negatively on efficient mobilization and management of human and material resources. It can also alienate modernity–oriented civil servants and cause them to reduce (or withdraw) their service and to leave the country for greener pasture (the „brain-drain‟ episode is tied to corruption) as many Nigerians believe it is profitable to work outside Nigeria’s shore. Corruption is a cause of low investment with a resultant effect of reduced economic growth both at foreign and at the domestic level. An economy undermined by corruption has the effect of discouraging foreign investment and public donors. The resultant effect of this is shortage of fund for productive investment. Simply put, corruption hinders direct foreign investment. It has also caused political decay and economic downturn in Nigeria and, depending on the scale; it has led to social conflict and violence as competing groups vie for state power which is the source of distribution of resources and other amenities in the country. This made politics all-comers job and is seen as surest means to affluence, earn respect and recognition

To alleviate the high level of corruption in the country, the first step is for Nigerians to realize that no political elite, government institution, or president can effectively curb corruption alone unless the average Nigerian participates. Following this, recommendations are some of the probable solutions to this scourge of corruption:

. Introducing or launching national reorientation programmes to educate people on the negative impacts and the need to eradicate corruption in all facets of Nigerian's public life. MAMSER, National Orientation Agency, War Against Indiscipline, War Against Indiscipline and Corruption are some of the steps, programmes, agencies and measures taken to tackle corruption. Why these efforts did not yield fruit or failed to achieve the desired outcome in the past is that the leaders who introduced these programmes distance themselves from its tenets and doctrines. Leadership, as the dictum says, has to be by example and as such the doctrines of such programmes must be enforced right from the top to the bottom. The conclusion that these efforts failed because there was no political will to checkmate, control and eliminate corruption in Nigeria‟s public life is absolutely true.

. Moral Regeneration: This involves value re-orientation which de-emphasize the use of money or wealth for recognition and relevance and, political contests. The influence of money as a factor in politics must be curtailed and discouraged, People should be encouraged to vote for people‟s qualities rather than money. Religious leaders‟ consistency and vigour in their campaign against corruption must be intensified, encouraged and promoted. The indispensability of the role of the agents of socialization, in this regard, should not be underplayed. This is because they are the vehicle for mobilization of potential human resources and agent of change of behaviour and value re-orientation.

. 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. This will inevitably reduce civil servants' vulnerability and susceptibility to corruption. This must go hand in hand with prompt payment of the workers monthly wages and salaries. d. Prosecution of erring individuals or people found to be involved in any corrupt practice and if found culpable should be punished. This goes with forfeiture of assets and property acquired illegally. If deemed expedient by the court, anybody convicted must be also be given long term imprisonment. This will serve as deterrent to others. This requires strengthening and tightening of prosecution techniques. Since corruption is a relationship of give and take both the giver and the receiver must be prosecuted. No one receives bribes, if nobody offers it.

. 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.

. Societal efforts must be geared towards the abolition of the “winner-takes-all syndrome” as this is what makes political contests a matter of life and death.

2a.) Government failure refers to when the government intervenes in the economy to fix a problem, but only ends up creating more problems. That means it harms social welfare and/or makes the market less efficient. In order for government failure to occur, there first has to be a market failure. That means that the market is failing to produce positive outcomes for society. The government will then decide whether and how to intervene. If the government intervenes and only makes the problems worse, then it has failed.

The term originated in the 1960's when economists began to criticize any government intervention or regulation of the economy. At that time, economists who believed in laissez-faire capitalism argued that the free market was inherently efficient. They began to argue that government always created inefficiency, and was always a problem. . Government failure, in the context of public economics, is an economic inefficiency caused by a government intervention, if the inefficiency would not exist in a true free market. It can be viewed in contrast to a market failure, which is an economic inefficiency that results from the free market itself, and can potentially be corrected through government regulation. 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. The problem to be solved need not be a market failure; governments may act to create inefficiencies even when an efficient market solution is possible. Government failure 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.

Some valid examples/scenarios in which government failure can occur include:

* White elephant projects: Concorde supersonic airliner was a joint venture between British and French government. It was seen as a prestigious venture, so even when studies suggested it was uneconomic, politicians didn’t want to back-track but kept putting in public money. Developing Concorde cost the British and French governments £1.1 billion (about £11 billion in 2003 prices) before it even went into service—nearly ten times what was budgeted. (Economist)
* Tax leads to fly-tipping: A tax on rubbish is a policy to overcome market failure. To try and include the external cost of rubbish in the price. However, a tax on rubbish can lead to illegal dumping of rubbish on the roads. This creates a different problem of fly-tipping.
* Common Agricultural Policy: The CAP was intended to solve market failure in agriculture and protect farmers incomes, but the EU didn’t take into account minimum prices would lead to over-supply; there were also unintended consequences of trade wars and environmental problems from farmers trying to supply as much as they could. See: CAP.
* Prohibition strengthened the mafia: When the government banned alcohol in the US, it caused the mafia to supply alcohol, leading to a rise in organised crime.
* Energy policies in developing countries have increased environmental problems. This is because energy use in developing countries has frequently been subsidised, leading to a wasteful use of energy. This has increased air pollution and problems of waste disposal.
* Government intervention to reduce the powers of monopolies which hinder international competitiveness and/or is against the public interest.
* The Government uses increase in minimum wages to get or win the votes of citizens during period of elections.
* The Existence of unintended consequences as a result of government action.

2b.) As a social crusader and scientist I will be in support of this gesture to Nigeria, due to the given Covid-19 pandemic there should be widespread shutdown of productive activities, restriction of movement by governments, human capacity development inhibitions and so on. In an effort to stop the spread of Covid-19, African governments are implementing social distancing measures, especially in local markets, where many buy their daily fruit and vegetables. Market traders, experts and informal trading associations say it is causing problems for the urban poor and limiting their access to food.

The Coronavirus (COVID-19) has resulted in mass production shutdowns and supply chain disruptions due to port closures in China, causing global ripple effects across all economic sectors in a rare “twin supply-demand shock”. As China is one of Africa’s biggest trading partners, the effects of COVID-19 are already being felt in the continent.  Africa is now feeling both the humanitarian and economic impact of the virus and plans to control and manage the challenges of COVID-19 are underway across the continent. Economically, the effects have already been felt in that demand for Africa’s raw materials and commodities in China has declined and Africa’s access to industrial components and manufactured goods from the region has been hampered. Adding to the supply chain challenges are the travel restrictions that have been imposed by several African countries, including most recently South Africa, on citizens from high risk countries. This is causing further uncertainty in a continent already grappling with widespread geopolitical and economic instability.

In South Africa, President Cyril Ramaphosa imposed travel restrictions, banning citizens of high risk countries from entering South Africa and imposing compulsory checks on others. The president did not stop the import and export of goods from any country into South Africa, only the arrival of citizens from those countries. However, the supply chain is expected to be further impacted by the travel restrictions as skilled people from high risk countries who work in the trade industry in South Africa will not be able to enter the country. For example it could restrict entry for transport crews and those working in logistical operations at ports of entry, such as the loading and offloading of cargo and machinery operations. This will be further exacerbated by those working in the trade and transport sector having to take time off and isolate themselves should they become ill with the virus.  A number of African countries, including Namibia, Zambia, Angola and Egypt, have also imposed some sort of travel restrictions, with more expected to follow suit. The timing is not ideal -  with China’s ports having just begun to reopen, further bottlenecks are now expected at African ports.

The impact of COVID-19 will also be felt in the manufacturing sector. Because China is part of the global supply chain, factory closures raise the risk of supply chain disruptions for multinational companies with delays, raw material shortages, increased costs and reduced orders affecting manufacturing plants around the world, including in Africa. Further supply chain disruptions will impact the import of manufactured goods into Africa from other parts of the world as well, including Europe. According to research from Baker McKenzie and Oxford Economics, African imports from outside the continent reveal that industrial machinery, manufacturing and transport equipment constitute over 50 percent of Africa's combined needs. The most important suppliers in this regard are Europe (35 percent) China (16 percent) and the rest of Asia, including India (14 percent). As such, disruptions due to the impact of COVID-19 will lead to a decrease in the availability of manufactured goods imported into Africa.With the widespread nature of the virus, it is difficult to envisage how supply chains could be adjusted rapidly to meet demands.

he slowdown in the global economy and lockdown in some countries, such as Italy, Spain and most Eurozone economies and beyond, as a result, COVID-19 has also taken its toll on the global demand for oil. The decline in oil demand is estimated to surpass the loss of nearly 1 million barrels per day during the 2007-08 recession. This is also coming at a time when two key players in the global oil industry – Russia and the OPEC cartel – are at loggerheads on the decision to cut output. The unequivocal oil price war started between these two global oil market giants may have more dire consequences on the oil price that has started to dive.

The virus is also taking its toll on health facilities and infrastructures across the globe. Italy is currently the largest affected country with a number of deaths surpassing China, since the outbreak of coronavirus. Across northern Italy, the virus has pushed the country’s National Health Service to a breaking point, emphasizing the test that other countries, especially developing and low-income countries, might face in their approach to contain the virus spread. Most hospitals and health facilities that could not handle the hazards are resulting to operating below their capacity by taking a few regular health-related cases or shutting down. What could be more devastating is the fact that the economic pains that accompanied the virus might not go away soon as envisaged.

The conventional policy measures currently being taken such as reducing interest rates and costs of borrowing, tax cuts and tax holidays are quite remarkable. However, these conventional policy measures are quite potent when there are demand shocks. There are limitations to the successes that can be recorded when demand shocks are combined with supply shocks. It is already apparent from the emergence of the current crisis that there are implications on the economy from both the demand and supply sides. Some of the demand factors include social distancing with consumers staying at home, limitations in spending and declining consumptions. On the supply side, factories are shutting down or cutting down production and output, while in other instances, staff work from home to limit physical contact.

The decision to close educational institutions and schools around the globe in an attempt to contain the pandemic has also led to a soaring number of children, youth and adults not attending schools. According to UNESCO Monitoring report on COVID-19 educational disruption and response, the impact of school closures in the over 100 countries that have implemented the decisions around the world has impacted over half of the global students’ population. These educational disruptions are being escalated particularly for the most vulnerable members of society.