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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?

Answer

Public expenditure is the expenditure incurred by authorities-central, state, and local governments either for the satisfaction of collective needs of the citizens or for promotion their economic and social welfare. Public expenditure is spending made by the government of a country on collective needs and wants such as pension, provision, infrastructure, etc.

The objectives of public expenditure

1. Administration of law and order and justice.
2. Maintenance of police force.
3. Maintenance of army and provision for defense goods.
4. Maintenance of diplomats in foreign countries.
5. Public administration and servicing of public debt.
6. Development of transport and communication.
7. Development of industries.
8. Provision for public health and creation of social goods.

The public expenditure can be classified as follows:

1. Capital and revenue expenditure

Capital expenditure of the government refers to that expenditure which results in creation of fixed assets. They are in form of investment and non-recurring e.g. irrigation dams, public enterprises etc. They are also known as development expenditure as it increases the productivity capacity of the economy or add to the net productive assets of the economy.

Revenue expenditure are current, or consumption expenditures incurred on civil administration, defense forces, public health and education, maintenance of government machinery etc.

1. Developmental and non- developmental

Developmental expenditure refers to those expenditure which is directly related to economic and social development of country. Expenditure on such services is not part of the essential functioning of the government. E.g. expenditure on agriculture, education, health, social welfare etc.

* 1. Non-developmental refers to those expenditure which is incurred on the essential general services of the government. Such expenditure is essential from the administrative point of view. E.g. expenditure on defense, administrative services, police, justice etc.

1. Transfer and Non-transfer expenditure
2. Plan and Non-plan expenditure

Theories of public expenditure

1. Wagner’s law

Is named after the German political economist Adolph Wagner (1835-1917) who developed a “law of increasing state activity” after empirical analysis on western Europe at the end of the 19th century. The law cited that “the advent of modern industrial society will result in increasing political pressure for social progress and increased allowance for social consideration by industry”

1. Peacock and wiseman

Peacock and wiseman (1967) suggested that the growth in public expenditure does not occur the same way that Wagner theorized. They chose the political propositions instead of the organic state where it is deemed that government like to spend money, people do not like increasing taxation and the population voting for ever-increasing social services.

1. The classical v/s Keynesian approach

The classical economists believe that the government intervention brings more harm than good to an economy and that the private sector should carry out most of the activities. In his welfare of nations, Adam smith (1776) advocated much on the “laissez-faire” economy where the profit motive was to be the main cause of economic developments.

The Keynesian on the other hand, favored government intervention to correct market failures. In 1936, john Maynard Keynes’ (1883-1946) “general theory of employment, interest and money”, criticized the classical economists to put too much emphasis on the long run. Keynes believed depression needed government intervention as a short-term cure. Increasing savings will not help but spending will.

1. Maximum social advantage

This is derived from the principle of equi-marginal utility. The law states that rationale individual will distribute his given money income on two or more goods in such a way that the marginal utility of the last money spent on either good, is the same. The law is based on ceteris paribus conditions.

1. Dalton’s condition

According to Dalton “public expenditure in every direction must be carried just so far that the advantage to the community of a further small increase in any direction is just balance by the disadvantage of a corresponding small increase in taxation and in receipts from any other source of public income. This gives the ideal of both public expenditure and public income”.

1. Pigou’s condition

In his economics of welfare, he divided welfare economics in two parts namely, the production and the distribution. The Pigou tax rate is used to internalize negative externalities and taxes are used as subsidy for positive externalities. According to professor Pigou (1928), the condition of maximum social advantage is that situation in which, “expenditure should be pushed in a direction to the point at which satisfaction obtained from the last shilling spent is equal to the satisfaction lost in respect of the last shilling paid as taxes to the government”.

1. Musgrave’s condition

He has explained the maximum social advantage differently on diagrams. He believed that the situation of maximum social advantage can be achieved where net social benefit equals zero. In other words, the net social benefit is at maximum when MSB -MSC= 0

1. Bowen’s model

He said that social goods are not equally available to all voters. According to him, since social goods are consumed by all individuals in a community, each of them needs to contribute for the social goods. But as Bowen rightly says, we must in the case of public goods add different individuals’ curves vertically.

1. Solow growth model

He proposed the study of economic growth basing itself from a standard neoclassical growth theory focuses mainly on capital accumulation and savings related topics.

National expenditure is the sum of household final consumption expenditure, general government final consumption expenditure, and gross capital formation i.e. capital formation and final consumption grouped together.

Developmental stages - Rostow’s stages of economic growth model is one of the major historical models of economic growth. i.e. traditional society, preconditions to take-off, take-off, drive to maturity, age of high mass consumption.

The impact of the theories of public expenditure increase even as population increase according to (Musgrave and Musgrave 1989)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 i.e. more investment is required to be done by government on law and order, education , infrastructure etc. The provision of schools, hospitals and other social amenities necessarily must grow with population. This also indicates Nigeria demographic factor is an important determinant of public expenditure growth exerting a direct, strong positive and significant relationship with the level of government expenditure.

The national expenditure increases in developmental stages shows that the theory of Rostow- Musgrave model also carried out research on the growth of public expenditure and conclude on the early stages of economic development, the rate of growth of public expenditure will be very high, because government provides the basic infrastructural facilities (social overhead). And most of these projects are capital intensive, therefore, the spending of the government will increase steadily. This just goes to say at development stage in Nigeria public expenditure increase cause our government must spend more than normal on building and maintenance of infrastructures compared to the revenue generated.

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?

Answer

Corruption is a form of dishonesty or criminal offense undertaken by a person or organization entrusted with a position of authority, to acquire illicit benefits or abuse power for one’s private gain. Corruption may include many activities including bribery and embezzlement, through it may also involve practices that are legal in many countries. Political corruption occurs when an officeholder or other governmental employee acts in an official capacity for personal gain.

Corruption can occur on different scales. Also, corruption ranges from small favors between a small number of people which could be known as pretty corruption that affects the government on a large scale which can be referred to as grand corruption, and corruption is so prevalent that it is part of the everyday structure of society, consisting corruption as one of the symptoms of organized crime.

Corruption and crimes are endemic sociologically occurrences which appear with regular frequency in virtually all countries on a global scale in varying degree and proportion. Individual nations each allocate domestic resources for the control and regulation of corruption and crime.

Therefore, most countries adopts the ways and strategies to counter corruption which Nigeria often summarized under the umbrella term anti-corruption which the body coordinating it is called Economic Financial Crime Corruption (EFCC) consequently, corruption has been endemic where majority of population would be thinking of what they will gain in any thing doing. Under this circumstances development and growth would be remote. Poverty would be elastic and gradually unemployment would be increasing, inflation rate would be double digit, exchange rate would not be stable because of pressure on foreign reserves owing to excessive importation to the country. In Nigeria, there are factors that have been attributed as causes of corruption:

* Greed of money, desires.
* Higher levels of market and political monopolization
* Low levels of democracy, weak civil participation, and low political transparency.
* Higher levels of bureaucracy and inefficient administrative structures.
* Low press freedom.
* Low economic freedom
* Large ethnic divisions and high levels of in-group favoritism.
* Gender inequality.
* Resource wealth.
* Political instability.
* Poverty.
* Weak property rights.
* Contagion from corrupt neighboring countries.
* Low levels of education.
* Extravagant family.
* Lack of commitment to society.

However, corruption an occur in many sectors of the economy, they may be public or private organization or even NGOs.

Furthermore, government/public sector corruption includes corruption of the political process and of government agencies such as the police as well as corruption in processes of allocating public funds for contracts, grants, and hiring. Political corruption is the abuse of public power, office, or resources by elected government officials for personal gain, extortion, soliciting or offering bribes.

The political act of graft is a well known and now global form of political corruption, being the unscrupulous and illegal use of a politician’s authority for personal gain, when funds intended for public projects are intentionally misdirected in order to maximize the benefits to illegally private interests of the corrupted individuals and their cronies.

Practically, corruption is an endemic in our environment where all the sectors are been corrupted, for example: judicial system that refers to corruption related misconduct of judges, through receiving or giving bribes, improper sentencing of convicted criminals, bias in the hearing and judgement of arguments and other such misconduct.

Corruption in judiciary is so broad which can be difficult to completely eradicate, even in developed countries. It also involves the government in power using the judicial arm of government to oppress the opposition parties in the detriments of the state.

USA corruption in healthcare, is the abuse of entrusted power for private gain, as defined by transparency developed international is systematic in the health sector. This is not applicable in Nigeria but in countries like USA.

Furthermore, educational institution corruption is a worldwide phenomenon corruption in admission to universities is traditionally considered as one of the corrupt areas of the educational sector. Endemic corruption in educational institutions leads to the formation of sustainable corrupt hierarchies. This has cut across continents of the globe. The general public is aware of the high level of corruption in colleges and universities, institutions; there are types of corruption thus:

* Bribery
* Extortion
* Nepotism
* Parochialism
* Patronage
* Influence peddling
* Graft and embezzlement

In addition, corruption may facilitate criminal enterprise such as drug trafficking, money laundering, and human trafficking

Effects of corruption

1. 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 effect of this is shortage funds for investment.
2. 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 their service and to leave the country for greener pasture as many Nigerians believe it is profitable to work outside Nigeria’s shore.
3. 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. 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.
4. Corruption also diverts public expenditure from sectors that benefits the poor the most, away to the sectors and projects where kickbacks an readily be obtained by public officials. It 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.
5. 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 misappropriate and mismanagement of public resources by successive regimes, has rendered millions of Nigerians poor, unemployed and uneducated.

Solutions of corruption

* The federal government should establish a new ministry or agency called the federal vetting agency or federal asset declaration agency either of those names will do.
* The agency should have a chairman based in Abuja and 36 commissioners based on each of the states of the federation
* The EFCC should be incorporated into this new agency and will be the prosecution arm of the agency. They will investigate any case of misappropriation or allegation of fraud.
* Improve coordination at all levels including international cooperation so Nigeria can obtain assistance.
* Societies affected by corruption must develop basic democratic standards, such as freedom of speech and respect for fundamental human rights
* Improve the rule of law in order to overcome the vulnerabilities that aid corruption
* Promote a strong civil society that can demand action against corruption

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

Answer

Government are the group of people with the authority to govern a country or state, a particular ministry in office. Government are also group of people that govern a community or unit. It sets and administers public policy and exercises executive, political and sovereign power through customs, institutions, and laws within a state.

Government failure may arise because of unanticipated consequences of a government intervention, or because an inefficient outcome is more politically feasible than a pareto (The pareto principle 80/20) improvement to it. It also 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. Government failure is an attempt to solve a market failure that obviously fails. This also occurs when government when government intervention in the economy causes an inefficient allocation of resources and decline in economic welfare.

These are the scenarios that led to government failures in Nigeria:

1. Failure in infrastructure

* Failure in aviation for example during the Obasanjo regime history has made us know that we have Nigerian airways and few private airways and now we have none. And this is a sector that is generating revenue for Ethiopia airlines, the facilities they have on ground in Addis-Ababa is very encouraging compared to my country is very disappointing. In addition, failure in airline sector have started ever since Okada airlines failure in Igbinedion in Benin which has a lot of facilities and other airlines like ADC, Belview, concord etc. are an eye opener to failure in airlines. Airlines industry is an industry is an important contributor towards economic development it has not only increased work trade activity by enabling faster and easier movement of passengers and goods but has also provided job to millions of people.

Furthermore, economic growth has been the primary reason for the growth in demand. This is the reason why the former governor of CBN gov. Mallam Sanusi Lamido Sanusi introduced the bailed out of the aviation industry 620billion naira to resuscitate or revamping aviation industry.

* Lack of good roads
* Failure in providing quality drinking water
* Inadequacy in the supply of electricity

Most states today in Nigeria are living in darkness and individuals that can afford it are on standby generator, solar system, inverter.

* Virtually institutions are weak despite the years of independence.

1. Problems with cooperate governance, integrity, and trust has been eroded from our environment due to greed and selfish interest that make the ministry departmental agencies, banking institutions, private sectors that constitute the economy of the nation are mismanaging the public funds. That are meant for the development and growth of the nation and now in individual private account both locally and internationally. And left Nigeria in abject poverty that other countries now rate Nigeria has the most corrupt and poverty-stricken nation where we depend on importation that keep on eroding our reserves.

* Mismanagement of public funds
* Failure in proper remittance of public funds e.g. crude oil remittances that are not appropriately remitted to CBN some years back and these are the kinds of funds that are meant to buffer out our foreign reserve.

1. Failure in financial system in the commercial institution that are deposit money bank finds it difficult to give loans to real sector of the economy that are driven engine of the economy. Which really limited the growth in real sector bubbling. It plays a role in developing the nation however, Nigeria banking system are not in compliance with the CBN rules and regulations. That is the more reasons why most deposit money banks are in distress. Despite bail out that was given to them by former governor gov Mallam Sanusi Lamido Sanusi because most of the MDs were diverting people deposit money to non-performing loans which led to their failure when the business became unfavorable. And five (5) of the MDs were removed immediately due to high level of non-performing loans in this bank that was attributable to poor cooperate governance. Mr. Sebastian Adigwe (Afribank)

Mr. Okey Nwosu (Fin bank)

Dr. Erastus Akingbola (Intercontinental bank)

Dr. (Mrs.) Cecilia Ibro (Oceanic bank)

Dr. Bath Ebong (Union bank)

Lax credit administration processes and the absence of or non-Adherence to bank regulation and creditory management practices which cause introduction of AMCON (Assets Management Cooperation of Nigeria)

2b) Definition of COVID-19 pandemic

On March 11, 2020, the World Health Organization (WHO) declared that an outbreak of the viral disease COVID-19-first identified in December 2019 in Wuhan, China-had reached the level of a global pandemic. Citing concerns with “the alarming levels of spread and severity”, the WHO called for governments to take urgent and aggressive action to stop the spread of the virus.

This is the defining global health crisis of our time and the greatest challenge we have faced since World war II. Since its emergence in Asia late last year, the virus has spread to every continent except Antarctica. Cases are rising daily in Africa, America, and Europe.

COVID-19 is caused by the severe acute respiratory syndrome coronavirus 2 (SARS-COV-2) Continues to spread, and as of March 11,2020, it has reached 115 countries, with 119,239 cases and 4,287 deaths. In January, WHO decided to define the outbreak of COVID-19 as a public health emergency of international concern, which triggered the release of funding and other resources. WHO was reluctant to call the outbreak a pandemic on March 5,Tedro Adhanom Ghebreyesus, Director-General of WHO, stated that while the outbreak might be uncontrollable in some settings, it is not yet uncontrollable and that would be the threshold to pass for the definition of a pandemic.

However, on March 8, Tedros admitted that the threat of a pandemic is becoming very real, and should WHO decide to call the outbreak a pandemic it would be “the first pandemic that could be actually controlled”

Before WHO March 11 announcement, the COVID-19 outbreak was being described by the UN health agency as an endemic. This means that it had spread to many people, and many communities at the same time.

By labelling the spread a pandemic, WHO was indicating that the virus was now a worldwide phenomenon. The decisions also reflect the WHOs concern at what it calls the “alarming levels of the coronavirus spread, severity and inaction” and the expectation that the number of cases, deaths and affected countries will continue to climb

* What we observed is that people that travelled out of the country for different occasions and businesses that flew in spread the virus that was general presumption until the scale and severity of the COVID-19 pandemic clearly rises to the level of a public health threat, that could justify restrictions on certain rights, such as those that result from the imposition of quarantine or isolation limiting freedom of movement, enforcement of immigration laws including court hearing and check ins with authorities as alternative to detention, authorities should stop arbitrary detentions of migrants and opt for release where possible i.e. there should be disconjection in the jail cell or prison.

Government should take measures so that health is available to all, accessible without discrimination, avoidable, respectful of medical ethics culturally appropriate and of good quality.

Government should ensure that health workers have access to appropriate protective equipment and that social protection programmes are in place for families of workers who die or become ill as a result of their work.

A lot of activities have been distracted, schools have shut down, families are together wherever they are resided.

There should be mitigation strategy adopted by the government to introduce online learning to the students that are at home in order for the educational curriculum will not be jeopardized.am a typical example of what is happening have been at home for one month now so as other students too.

Finally, the parents need to enforce cleanliness, total compliance to the COVID-19 pandemic measures as enumerated above at home when this cut across every family that constitute the society the pandemic will be eradicated quickly.

Governor Sanwo -Olu of the Lagos state in his inspiration and kindness, he constructed a standard hospital to tackle the disease on coronavirus victims therefore billions of naira was expended so far and good Nigerians. The philanthropic, the businessmen and women donated very huge amount of money to wage war against coronavirus pandemic from our land. The President Mohammadu Buhari supported the initiatives of the Lagos state government and contributed the sum of 10billion naira to enhance the project to world standard. The information reached us that the environment and treatment given to the victims is of high quality which is most victims were surviving.