UNIVERSITY OF PORT HARCOURT

ENGINEERING ECONOMIC DEVELOPMENT IN NIGERIA: EFFICACY OF PUBLIC SPENDING

AN INAUGURAL LECTURE

By

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ORDER OF PROCEEDINGS

2.45 pm. Guests are seated

3.00pm. Academic Procession begins

The Procession shall enter the CBN Centre of Excellence auditorium, University Park, and the Congregation shall stand as the Procession enters the hall in the following order:

Academic Officer
Professors
Deans of Faculties/School
Dean, School of Graduate Studies
Provost, College of Health Sciences
Lecturer
University Librarian
Registrar
Deputy Vice Chancellor Research and Development
Deputy Vice Chancellor Academic
Deputy Vice Chancellor Administration
Vice Chancellor

After the Vice Chancellor has ascended the dais, the Congregation shall remain standing for the University of Port Harcourt Anthem.

The Congregation shall thereafter resume their seats.

THE VICE CHANCELLOR'S OPENING REMARKS.

The Registrar shall rise, cap, invite the Vice Chancellor to make his opening remarks and introduce the Lecturer.
The Lecturer shall remain standing during the Introduction.

THE INAUGURAL LECTURE

The Lecturer shall step on the rostrum, cap and deliver his Inaugural Lecture. After the lecture, he shall step towards the Vice Chancellor, cap and deliver a copy of the Inaugural Lecture to the Vice Chancellor and resume his seat. The Vice Chancellor shall present the document to the Registrar.

CLOSING

The Registrar shall rise, cap and invite the Vice Chancellor to make his Closing Remarks.

The Vice Chancellor's Closing Remarks.

The Vice Chancellor shall then rise, cap and make his Closing Remarks. The Congregation shall rise for the University of Port Harcourt Anthem and remain standing as the Academic [Honour] Procession retreats in the following order:

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Deputy Vice Chancellor Administration
Deputy Vice Chancellor Academic
Deputy Vice Chancellor Research and Development
Registrar
University Librarian
Lecturer
Provost, College of Health Sciences
Dean, School of Graduate Studies
Deans of Faculties/School
Professors
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Provost, College of Health Sciences,

Dean, School of Graduate Studies,

Dean, Faculty of Social Sciences,

Deans, of other Faculties and Directors of Institutes/Centres,

Heads of Departments,

Distinguished Professors,

Staff and Students of the University,

Members of the Press,

Distinguished Guests,

Ladies and Gentlemen

DEDICATION

To the Omniscient God, the Judge of all the earth, by whose knowledge our actions are weighed.

ACKNOWLEDGEMENTS

I wish to acknowledge the grace of God which has made this day possible. I also appreciate the Vice-Chancellors of this University for sustaining the tradition of inaugural lectures, and our current Vice-Chancellor, Professor Owunari Abraham Georgewill, who has given me the opportunity to present this lecture.

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I have enjoyed the warm relationship of my schoolmates especially Old Boys of Government Comprehensive Secondary School (COBA), Port Harcourt, and State School 1, Bernard Carr Street, Port Harcourt. We owe our teachers a debt of gratitude, which only God can pay. In the same vein, I am thankful to my co-super lions and friends I met at the University of Nigeria, Nsukka; Professor (Rev. Fr.) Ichoku, Eze-b., Jude, Fonta, K. K Ogujiuba, among others, and our dear lecturers. My schoolmates at Uniport are recognized; some of them have grown to become governors, vice-chancellors, university registrars and so on. May God continue to bless us.

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Let me also acknowledge the family of the redeemed; from Scripture Union days at Government Comprehensive Secondary School, Borokiri, Port Harcourt to Deeper Life Campus Fellowship and now the adult Church including the

associated network of brethren at different locations over the years. I know it is difficult to remember and thank all deserving benefactors in one document like this. May the Almighty God reward your hospitality and benevolence. Forgive me, if I have missed out your role, I had no intention to err or forget anybody.

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List of Key Acronyms

	Acronym	Meaning
1.	AD	Aggregate Demand
2.	C	Aggregate Private Consumption
3.	CBN	Central Bank of Nigeria
4.	CFRN	Constitution of the Federal Republic of Nigeria
5.	DFRRI	Directorate of Food, Roads and Rural Infrastructure
6.	DPA	Direct Productive Activities
7.	FEAP	Family Economic Advancement Programme
8.	FSP	Family Support Programme
9.	G	Government (Public) Spending
10.	GDP	Gross Domestic Product
11.	HDI	Human Development Index
12.	I	Aggregate Private Investments
13.	K	Kobo
14.	M	Imports
15.	MW	Megawatts of Electricity
16.	N	Naira
17.	NDDC	Niger Delta Development Commission
18.	OLS	Ordinary least Squares
19.	PPF	Production Possibility Frontier
20.	PSE	Public Spending on Education
21.	RAIRDEP	Rivers State Integrated Rural Development Programme
22.	RTEP	Roots and Tubers Expansion Programme
23	S	Aggregate Savings
24.	SAP	Structural Adjustment Programme

25.	SOC	Social Overhead Capital
26.	UAE	United Arab Emirate
27.	UNDP	United Nations Development Programme
28.	UNESCO	United Nations Educational, Scientific and Cultural Organization
29.	USD	United States Dollar
30.	USSR	Union of Soviet Socialist Republics
31.	WIDER	World Institute of Development Economics Research
32.	WW2	World War 2(Second World War)
33.	X	Exports
34.	Y	National Income

0.1 PREAMBLE

Vice-Chancellor Sir, economic needs have been one of man's most fundamental needs, individually or collectively. In many cases, except these needs are resolved on time, complications can arise. For instance, poverty and starvation can cause medical challenges, which if not resolved on time could lead to death. If someone cannot afford food, accommodation, clothes or transport fares, life will be a huge challenge. This primacy of economics is well established in the Holy Bible (see Ecclesiastes 9:10, 10:19; 2 Thessalonians 3:10-12).

So, economic issues are very important. Similarly, economic decisions especially macroeconomic decisions are very sensitive and when done wrongfully can lead to disastrous consequences, sometimes with intergenerational effects on an entire society. And in very bad situations, generate spillover effects to neighbouring economies or trading partners. Consider the effect of the current foreign exchange policy in Nigeria, where the naira is allowed to freely float in the market and also the *removal* of subsidy on Premium Motor Spirit (PMS). Nigerians who over the years are used to stable PMS prices are yet to fully realize that the era is gone. The effect of these two policies are stern; first because PMS is imported in dollars, as the naira slides against the dollar, the cost of PMS will rise except government does something to mitigate it. Again, because prices are sticky downwards in Nigeria, even when the naira marginally recovers, PMS prices may not reflect it, except government intervenes. The impact of the hike in PMS prices will reflect in transport cost and other goods. As it is now the increased cost of commuting has made it difficult for some civil servants to successfully report to work daily on their current salaries. The cost of production has shot up and thrown out vulnerable investors into the labour market as job-seekers, especially, in the informal sector. The hike in food prices has been astronomical and many are starving. Many people cannot afford medical care and have resorted to alternatives which may be sub-optimal. Along the line, new habits will be developed as coping strategies which may work against the economy in the long run.

All these could cumulate to a weak gross domestic product and because an economy is a set of interconnected functions or networks which define production, distribution and consumption or for short, production and consumption (since distribution is a value adding activity) within a defined environment, consumption will be implicated. Perhaps these implications were not foreseen beyond the prospects of money illusion of huge naira inflow to the federation account, which when adjusted for inflation, may be the same or worse than the pre policy era. Economic decisions should follow proper diagnosis before fitting solutions are applied. This is more so for an underdeveloped economy with paucity of resources, skills and capital.

Nigeria is a developing economy characterized by high levels of poverty, illiteracy, death rates, birth rates, and low access to power among other challenges. For a long time, several strategies have been implemented to enhance economic development in Nigeria. These strategies include economic planning (medium term and perspective), import substitution, export promotion, monetary policy and fiscal policy among others. Some of these are State led approaches, others are Market oriented approaches and there are also policies adopted from international conventions. But the Nigerian economy is still in the woods, though it had experienced different bouts of economic growth and development at different times. This lecture probes the efficacy of Public Spending as a tool of engineering economic development in Nigeria. Public spending has been successfully applied in many countries but can it achieve or has it achieved the same effect in Nigeria? This is the essence of the lecture.

As a professorial inaugural lecture, it relied on previous studies carried out over the years, to arrive at its conclusion. The studies reviewed here used different methods and different data sets. Some studies were focused on the federal government, others were on the sub national governments. The different studies used different proxies as dependent or independent variables. The time spans were also different. These studies produced different outcomes. In some studies public spending positively and significantly impacted on economic development but in others the impact was not significant and yet in others, it was negative. These outcomes show that when and where underlying factors suitable for the policy existed, it worked but when such factors were absent it failed. The conclusion here therefore is that the success of an applied economic theory in this case, public spending is a function of the environmental conditions.

1.0 Introduction

Economics has been defined in different ways by various authors. According to Smith (1776), economics is an ‘inquiry into the nature and causes of the wealth of nations’. The scholars that came after Adam Smith, such as David Ricardo, James Mill, John Stuart Mill, Jeremy Bentham and Thomas Malthus, among others, preferred to define economics as ‘the production, distribution and consumption of wealth’. This emphasis on wealth was criticized and the subject which, then was known as political economy was tagged a dismal science. Note that Adam Smith was a professor of political economy at the University of Glasgow. In response to these critics, Alfred Marshall in 1890 introduced the concept ‘Economics’ and narrowed the focus of enquiry. To Marshall (1890), economics is the study of mankind (not wealth) in the ordinary business of life, working, earning and enjoying a living.

Over time, Lord Robbins (1935:16) defined economics as ‘the science which studies human behaviour as a relationship between ends and scarce means, which have alternative uses’. This is a very popular definition of economics in contemporary times, at least in this part of the world. There are many more definitions but none of the definitions is foolproof and free of limitations. Otto (2006) believes that economics is simply, a science of optimization of resources. Economics has different areas of specialization which include monetary economics, transport economics, agricultural economics, petroleum economics, development economics and health economics, among others. In fact, there is hardly any aspect of life requiring optimization of resources that economics is not applicable.

Vice-Chancellor Sir, I am a development economist. To me, development economics is broad and appealing, as it covers all aspects of economics in materially poor countries.

Development economics, which is also referred to as Economics of Developing Areas (Higgins, 1968), the Economics of Third World countries (Todaro, 1992) or as High Development Theory (Krugman, 1992:15) is a branch of economics which attempts to understand why some countries of the world are materially poor, under developed and technologically backward including identifying what may be done to resolve or mitigate these challenges. It may also be defined as a branch of economics that focuses on how to improve the social, economic and fiscal conditions in a materially poor country. In practice, it is the study of the economies of materially poor countries which are predominantly found in Africa, Asia, and Latin America.

In many of these economies, there are structural rigidities which mitigate the operations of classical economic theories or at least attenuate the potency of such theories. Actually, in some cases, the application of some classical economic theories may work in the opposite direction and frustrate the objectives for which they were introduced. For instance, the Structural Adjustment Programme (SAP) which was implemented in Nigeria in 1986 was an excellent theoretical postulation based on the *Washington consensus.* It was meant to discourage the consumption of foreign goods, increase the consumption of home made goods, change the mindset of Nigerians from a *consumption* to a *production* economy and enhance balance of payment in Nigeria, among other objectives. But, it is obvious that the policy was implemented without sufficient evaluation of the Marshall-Lerner conditions with respect to elasticity of import demand in Nigeria.

The effect of SAP on the Nigerian economy is visible to discerning Nigerians. Since 1986, when it was implemented, the economy has not been the same. Many firms were negatively affected and closed shop, throwing many employees into the job market. The exchange rate then was two naira (N2.00), for each British pound and about sixty kobo (N0.60K) for one United States Dollar (USD). There were many immigrants to Nigeria because of the strength of the naira and the level of welfare in Nigeria then. The aftermath of that policy caused fundamental changes not imagined at the inception. Now, the exchange rate with the pound sterling hovers around N2400 and the dollar is over N1600 in the parallel market.

The country is neck deep in debt to the tune of over eighty trillion naira and many of the companies that kept Nigeria afloat up to the 1980s are no more. Now Nigerians need visa to visit the United Kingdom (which was not the case up to 1986) and many of the foreigners who were ubiquitous in Nigeria, serving in various industries including teachers in post primary and tertiary institutions have left. Many Nigerians are now desperate to emigrate out of Nigeria for economic reasons;

some even adopt illegal (irregular) routes of migration in spite of the adverse consequences. Something needs to be done.

1.1 Focus of this Lecture

The focus of this lecture is Public Spending which is another example of a theory that could work in some economic environment but fail in others. This Keynesian postulation which encourages the use of public spending as an instrument of economic management achieved equilibrium in Europe, and Keynes is respected all over the world for his postulation, which brought solution at the time but the application of the theory may not have the same effect in many developing countries (Jhinghan, 2008). This lecture attempts to adduce factors which can explain the Nigerian praxis.

Petroleum generated huge (unexpected) sums of money to Nigeria in the 1970s due to the rise of crude oil prices (described as oil price shock of 1973). Petroleum has continued to generate huge rent income to Nigeria. The then Head of State, General Yakubu Gowon is quoted as saying, ‘money is not Nigeria’s problem but how to spend it’ (Otto, 2014; Olayinka, 2014). Though, the statement of General Gowon may be in reference to the challenge of efficient allocation of money but the fact of a huge flow of unexpected petroleum income to Nigeria in the early 1970s remain. Nigeria from the mid 1970s experienced increased inflation (see Figure 1), inequality, public sector corruption and eventually, the overthrow of the then Head of State, General Yakubu Gowon through a military coup in 1976. The Udoji Commission (a public service reform commission) recommended 100 percent increase in wages across board in 1974 and government implemented it, including arrears. This became known as Udoji Award (Otto & Ukpere, 2015) which brought succour to many civil servants then.

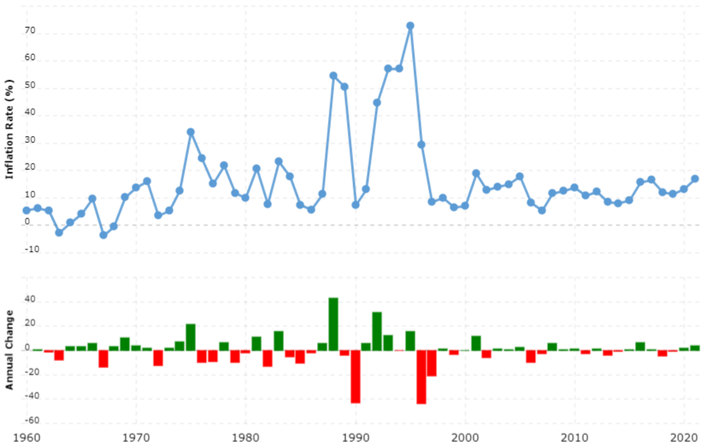

Figure 1: Inflationary trend in Nigeria; 1960-2020
Source: World Bank, June, 2022

At the micro level, the role of hard work as a key parameter for earnings began to wane, especially post 1990s; no thanks to the wage deregulation policy of President Ibrahim Babangida's regime. For instance, the salary of a fresh university graduate of about twenty two years old, working in one industry (for example, the oil industry), could be more than twice, the salary of his fifty years old father, who works forty hours a week in another industry and had served consistently for over twenty five years with higher qualification and sometimes higher risk in the same economy. Riches, which should be the reward to a person's contribution to the economy, began to lose that trend. Money became the new index of success, instead of people's contribution to the economy, which before then defined earnings (since wages were uniform across sectors and based on qualification with experience). Gradually, what Okowa (1997, 2005) terms *abdulistic* capitalism became a new order; a situation where people wish to earn with no work or minimal work. Today, there is emphasis on material trappings with less emphasis on the wealth sources (Otto & Ukpere, 2011). This era marked the birth of Dutch disease in Nigeria in some form, as attention shifted away from coal, tin ore, agriculture and other export items that supported the economy to petroleum and the other areas dwindled. Dutch disease may be defined as:

> A shorthand way of describing the paradox which occurs when good news, such as the discovery of large oil reserves, harm a country's broader economy.
> (https://www.investopedia.com retrieved on 15/7/23)

How come that in spite of the huge income flow and consequent spending, Nigeria is the world's poverty capital with over 133 million people in multidimensional poverty? Again, the National budgets increased sharply, from 4.962 trillion naira in 2014 to 21.83 trillion naira in 2023 (see Appendix 4 and 5). To what extent has the spending engineered development in Nigeria? The annual growth rates which averaged 7% between 2000 and 2014 plummeted within 2015 to 2023, in spite of the increased spending as follows: 2.7% in 2015, -1.6% in 2016, 0.8% in 2017, 1.9% in 2018, 2.2% in 2019, -1.79% in 2020 3.4% in 2021 and 3.1% in 2022

(World Bank, 2022). Thus, average annual growth rate was 1.34% from 2015 to 2022.

Plate 1: Ikoyi, Lagos
Source: https://pinterest.com

Plate 2: Makoko, Lagos
Source: **https://siliconeer.com/drone-projectaims-to-put-floating-lagos-slumon-map/**

Plate 3: Eagle Island, Port Harcourt
Source: YouTube, African Tigress

Plate 4: Diobu, Port Harcourt
Source: YouTube, Media4change

Plate 5: Mpape, near Abuja
Source: YouTube, Roots TV

Plates 1-5 evidence inequality and poverty in Nigeria. Makoko in Plate 2, is the largest floating slum in the world. Its residents live side by side with the affluence at Ikoyi (Plate 1), Banana

Island and Lekki in Lagos, an evidence of inequality in Nigeria, which sometimes, may not arise out of visible positive contribution to society. Plate 3 is Eagle Island, a low density residential part of Port Harcourt. In Plate 4, urban poor residents of Diobu in Port Harcourt were facing threat of eviction as their accommodations were being demolished. This is similar to Plate 5, Mpape at the outskirt of Abuja. Public infrastructural facilities are parlous, the economy is suffocating with stagflation and per capita Gross Domestic Product (GDP) in 2021 was 2065.75USD compared to 11,500.00USD for South Africa, 14,653.31USD in Seychelles or 72,794.00USD for Singapore. Its Human Development Index (HDI) as at 2023 was 0.539, which ranked it as 161 out of 189 countries. Table 1 presents top ten countries in Africa in terms HDI

Table 1: Top Ten HDI Countries in Africa in 2021/22

Serial no	**Country**	**HDI Value**	**Comments**
1.	Mauritius	.802	Very High
2.	Seychelles	.785	High
3.	Algeria	.745	High
4.	Egypt	.731	High
5.	Tunisia	.731	High
6.	Libya	.718	High
7.	South Africa	.713	High
8.	Gabon	.706	High
9.	Botswana	.693	Medium
10.	Morocco	.683	Medium

Source: UNDP Human Development Report (8/9/22)

Unemployment escalated between 2015 and 2021.
See Figure 2.

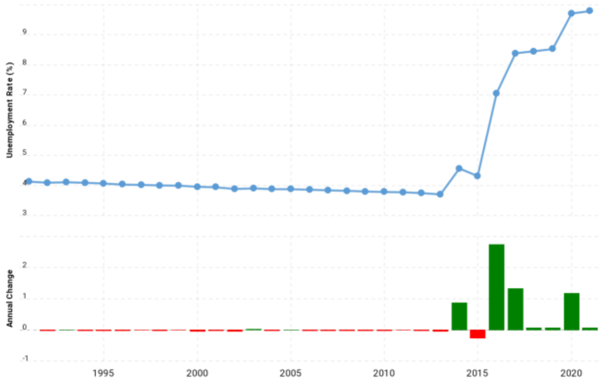

Figure 2: Trend of Unemployment in Nigeria, 1991-2021
Source: World Bank, June 2022

Make no mistake about this; Nigeria has great potentials which are currently being obscured by some challenges.

2.0 Birth and Growth of Development Economics

Vice-Chancellor Sir, the point is, there is need to understand each economic theory and the context for which it can be successfully applied (Otto, 2009). It is the need to identify theories that will work in materially poor countries that informed the encouragement of scholars to study these economies, beginning from the late 1940s (post World War 2). This led to the birth of development economics as a separate branch of economics.

Development economics at the time was greatly encouraged especially by multilateral agencies. The best brains in economics were supported in different ways to study and build theories, which can assist the development of these materially poor countries, in so much, that within few years, several theories of economic development were built (Krugman, 1992).

Encouragement for the study of development economics at the time had political and economic motives. For instance, it was believed that poverty anywhere in the world was a threat to peace everywhere in the world. It was also thought that development had commercial implications as poverty in these countries could limit demand for products of rich nations, which needed outlets for their products. Again, the need to enhance cooperation and improved commercial relations between the advanced and less advanced economies encouraged the advanced nations to pander to the expectations of the leaders of these emerging (newly independent) countries who took notice, of the sharp contrast between their economies and those of the advanced world. These reasons were reinforced by the then cold war between the Union of Soviet Socialist Republic (USSR) and its eastern bloc allies against the United States and its western allies. The desire to get support from these developing countries, which were non-aligned, meant that these poor economies had to be wooed for alliance by the feuding parties (Jhinghan, 2008).

In sum, development economics is a branch of economics which study the economic conditions of a materially poor economy, identifying sources of its low economic and social conditions, different from the developed economies and suggesting what may be done to free these economies from the stronghold of underdevelopment and its implications. Perhaps this is why Krugman (1992) defines development as **convergence**. Nigeria is a developing country. The study of different aspects of the Nigerian economy identifying economic challenges and proffering solutions to pull the country out of its economic doldrums is within the domain of development economics. This is same for Ghana, Kenya, Comoros, Cambodia, Laos, Haiti or Venezuela, among others. These countries are also referred to as Third World, Underdeveloped or Developing countries. However, as shown in Todaro and Smith (2003 p. 42):

> There are some people who would … claim that development economics is not really a distinct branch of economics in the same sense as … macroeconomics, labour economics, public finance or monetary economics. Rather… it is simply an amalgamation and basically an unaltered application of all these traditional fields but with a specific focus on the individual economies of Africa, Asia and Latin America.

It is indeed a distinct branch of economics with its own methodology. Agreeably, there may be scholars who focus only on a particular branch of economics and examine the relevance of traditional economic theories to a developing country. These scholars may be associated with such specializations. So, it is possible to have energy economists, monetary economists, labour economists, macro economists and other specializations in a developing society (Todaro & Smith, 2011).

May I therefore restate for enhanced clarity that, development economics is a branch of economics, which focuses on the study of contemporary poor, underdeveloped nations with varying ideological orientations, diverse cultural backgrounds and very complex yet similar economic problems that usually demand new ideas and novel approaches to resolve (Todaro & Smith, 2006).

2.1 Perspectives on Economic Development

Economic development is different from development economics. Development economics aim at enhancing economic development in materially poor economies. Economic development is about enhancing human welfare (Schumpeter, 1934; Otto & Nkoro, 2019; Otto, 2019). Perception about economic development has been dynamic overtime. For instance, Anyiwe and Nweke (1998) describe development as:

> Upward movement of the entire social system or the attainment of a number of ideals of modernization such as rise in productivity, social and economic equality, modern knowledge, improved health, improved institution and attitudes, a rational system of policies measures that can remove the host of undesirable conditions in the social system that have perpetuated a state of backwardness.

To Schumpeter (1934), economic development is a fundamental rise in human welfare in any community or economy which displaces an earlier low level equilibrium

(equilibrium point in economics defines a point of satisfaction). This can be generated through innovations. Rostow (1952), Harrod and Domar (1957), among many other economists saw economic development as synonymous with economic growth indexed by a rising Gross Domestic Product (GDP) in real terms as shown in Figure 3, a Production Possibility Frontier (PPF) which shows an expansion from PPF^1 to PPF^2

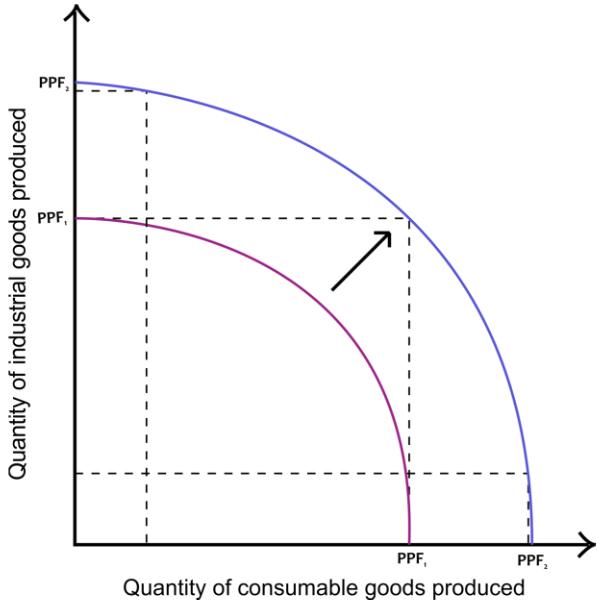

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Figure 3: Production Possibility Frontier (PPF)

This is because with a rise in real GDP, all things being equal, the volume of welfare in the economy also rises, if welfare is equated with output. But distributional issues of the increased output (wealth) can be a challenge. For instance, as at 2020, the combined wealth of the five richest Nigerians was about

29.9 billion USD, which if distributed evenly to more people, could reduce the numbers of poor Nigerians but Nigeria was home to the greatest number of poor people in the world (from 2018), with 133 million Nigerians lacking adequate sanitation. In other words, a few people may appropriate the dividends of economic growth, leaving others worse off than they were pre-growth. This was the observed experience in many developing countries in the 1960s, which was dubbed as the *United Nations Development decade.* By 1969, it became clear that economic growth was necessary but not sufficient to define the rise in human welfare which is the target of development. In many countries, economic growth occurred but poverty, inequality and unemployment also increased among other frustrating conditions.

In his welcome address as President of the World Institute of Development Economic Research (WIDER) on 7th December, 1969, in India, Seer (1969) reviewed the experience in several countries within the decade and noted the insufficiency of economic growth alone to define economic development. He thus redefined economic development to accommodate the following: (a) economic growth (b) reduced inequality (c) increased employment and (d) reduction in poverty rates. An economy is only said to be developing when these desiderata are achieved. This popularized ‘growth with equity’ or ‘inclusive growth’.

In the 1970s, it became increasingly clear that capacity improvement was essential in achieving economic growth and rise in human welfare in a holistic form. It was in this respect that Nnoli (1981:36) defined development as:

> A dialectical phenomenon in which man and society interact with their physical, biological and inter-human environments transforming them to better humanity at large and being transformed in the process.

The focus in this definition is enhanced ability in science and technology which can be leveraged on to relate with nature for mutual benefits of man, society and the environment. In fact, Ake (1981) used the concepts ‘ability to create and recreate from nature’.

2.1.1 Sustainable Development

In 1987, the World Commission on Environment and Development, also known as the Bruntland Commission introduced an intergenerational nexus, by qualifying development with the adjective ‘Sustainable’. Sustainable development defines the frugal exploitation of resources for human welfare in the present, which does not adversely affect the opportunity of future generations to do so as well. The essence was to prompt experts to adopt balanced strategies of exploiting nature that will not compromise the needs of future generations. In essence, development may be seen as a continuous process of improvements (Jinghan, 2007).

Todaro and Smith (2003) have emphasized that development is about man and his values. And to these authors, the core values of man (humans) include sustenance, self-esteem and freedom. So, the definition of welfare must revolve around these key variables. Ekpo (2015) expanded the frontier, by including increased access to power as part of the necessities of life. The high point in all these is that human development is about enhanced human welfare. This includes the environment. God has provided the environment, man is to interact with God's provisions and sustainably use them to enhance the greater good of all in society; the more beneficiaries, the better (Bentham, 1917). Welfare in contemporary times will include access to energy, employment, or income, health, education, freedom, social equality, self-esteem, and social order among others. This may explain why Anyiwe (2021) posits that the defining questions to ask about a nation's development are: what has been happening to poverty, unemployment, human capital, technology, inequality, self-esteem and freedom amongst others. If there is a positive growth in these variables in any economy, then there is development there. Figure 4, adapted from Anyiwe (2021:6) mirrors the features expected in a developed economy. Please note that economic development, human development and national development are used here interchangeably.

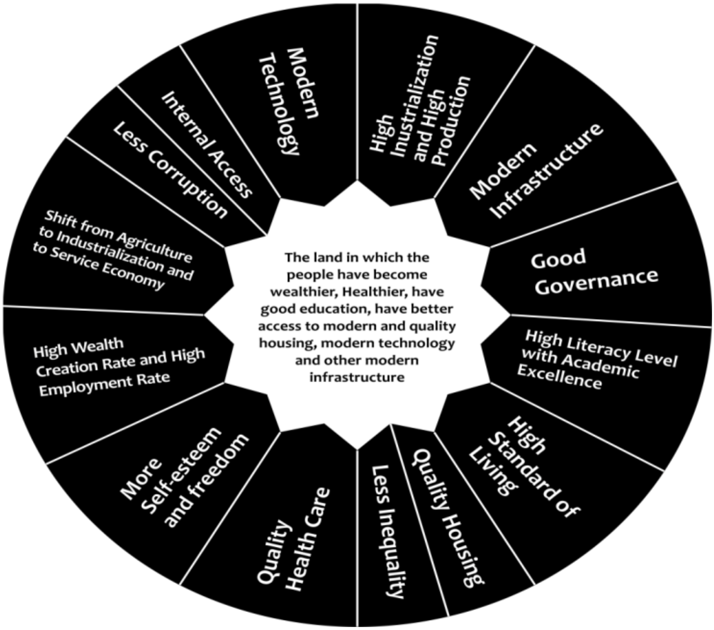

Figure 4: Features of a developed economy
Source: Anyiwe, 2021:6

Plates 6 to 10 are images from some developed countries.

Plate 6: Dubai, UAE
Source: https://www.reddit.com/r/cityporn/comments/dx8nlo/dubai/?utm_source=iftt

Plate7: Stockholm, Sweden
Source: https://www.coolthingsto.com/5-Cool-places-to-visit-for-amazing-photo-opportunities/

Plate 8: China
Source: https://YouTube/LtJLG10X4oW)

Plate 9: Venice, Italy **Plate 10: Paris, France**
Source:https://thegeographicalcure.com **Source: https://handluggageonly.co.uk**

Materially poor countries are characterized by endemic poverty, low access and utilization of energy, low productive capacity, illiteracy, structural imbalances, low life expectancy, low per capita income, low school enrolment, poor standard of living, high dependency ratio, high inequality, inadequate social infrastructure and low intergenerational socioeconomic mobility, among many others (Otto & Ukpere, 2011).

2.1.2 Proxies of Development

Economists use several proxies to measure development. These include the: (1) Human development index, (2) Misery index, (3) Multidimensional poverty index, (4) Physical quality of life index, (5) Human capital index, (6) Real gross domestic product or growth model, (7) Unemployment, and (8) Inequality index, among others.

2.1.3 Dependency Theory

It is important to note that there are alternate paradigms of development. As such, Dependency theorists, made up of scholars like Raul (Paul) Prebisch, Paul Baran, Paul Sweezy, Andre Gunder Frank, Samir Amin, Hans Singer, Celso Furtado, Walter Rodney and many others, emphasize the role of unfair world economic order, terms of trade, and exploitation of poor countries located mainly in the global south by advanced capitalist countries located more in the global north, as key determinants to explain development and underdevelopment of countries. The dependency theory was very popular between 1960s and 1980s. Many of these scholars are from developing countries, themselves. The dependency school may be grouped into two; the neo-Marxist (Socialist) school and the structuralists. A key policy advice from the dependency theory is the need for increased south-south co-operation and interaction.

2.2 Strategies of Economic Development in Nigeria

There are several development strategies that Nigeria has experimented.

These include:

- Development Planning (medium term and perspective)
- Import Substitution Strategy
- Industrialization
- Agricultural and Rural Development Programmes
- Structural Adjustment Programme (SAP)
- Trade as an Engine for Growth
- Monetary Policy, and

- Fiscal Policy (Taxation and Public Spending), among others (Nwine & Otto, 2003; Egbuche, Kalu & Otto, 2019; Osidipe, Onuchuku, Otto & Nenbee, 2018; Otto & Nenbee, 2011; and Otto, 2009a).

Vice-Chancellor Sir, this discourse examines the ‘efficacy of public spending in engineering economic development in Nigeria’.

3.0 Public Spending

Public spending, also known as government spending in a lay sense is simply expenditure by government or sums expended from collective revenue sources by appropriate public authorities. But in the technical sense as used here, it is a deliberate fiscal effort by government to boost or contract demand in an economy with a view to achieve set goals. This can be done by, tweaking taxation and public sector demand for goods and services intentionally in a pattern that can ignite some reactions and achieve predetermined outcomes in an economy. For example, where the intention is to increase employment or enhance economic growth, government may increase spending. This will put more money in the hands of those who benefit from the increased government spending and increase their spending power. This is expected to prop up aggregate demand, which in turn should encourage expansion in aggregate output and employment. The spending may be used to target the growth of specific sectors or industries in an economy, such as agriculture, education, industry, health, power or communication.

This spending may be on capital goods, on recurrent expenses or on both. Public capital spending is expenditure on durable items such as roads, buildings, bridges and other physical infrastructure. While recurrent expenditure could include spending on salaries, stationery, travels and entertainment, among others. When government increases its demand, suppliers are expected to increase output in response to the increased demand. To achieve the increased output, employers would need to increase employment of labour, capital and land resources, which is defined here to include gifts of nature such as petroleum, gold, coal, water, which are necessary to produce and supply the needed items. This way, in a flexible market, the increased demand would mop up the unemployed factors of production or raise prices for factors that are in limited supply. If the policy is efficient, it achieves equilibrium when all factors are satisfactorily engaged, so, full employment occurs.

It is important to note that full employment may not necessarily be one hundred percent (100%) employment of all resources in an economy. Full employment could be ninety percent (90%), eighty percent (80%) or more. It depends on context, on resources and capacity of the specific economy. But when the bulk of factors in an economy are satisfactorily engaged in producing the desires of that economy increased welfare, happiness or satisfaction happens.

To Keynes, equilibrium level of employment and income is achieved at the point, when savings (S) is equal to investments (I). $S=I$ ……1

Savings is income (Y) less consumption (C). i.e. $S=Y-C$….2
So, it is a function of income; $S=f(Y)$. But income (Y) is also defined as consumption plus investments (I), i.e. $Y= C+I$….3
$Y=C+I$ or $Y-C= I$….4
$Y=C+S$ or $Y-C= S$….5
$S=I$

So, equilibrium income arises when national savings is equal to investments. It is pertinent to note that national income (Y), national output (O) and aggregate demand (AD) are used interchangeably here because they equate themselves (O=Y=AD).

Public spending in Nigeria includes expenditure by national and sub national governments in course of their activities. Public spending is a prominent part of the macroeconomic equation which defines aggregate demand as shown in equation 6 below.

$$Y= C + I+G + X-M \quad \ldots\ldots\ldots 6$$

Where: Y= Aggregate demand, C= Private consumption, I= Private investments, G= Public spending, X= Exports and M=Imports

Public spending includes expenditures aimed at meeting budget targets, adjusting taxation and other expenses to accommodate social safety nets. According to Walle (1995), public spending to be successful, should promote efficiency (by correcting various market failures) and equity (by improving the distribution of economic welfare).

Public spending has been used satisfactorily as an instrument towards achieving macroeconomic outcomes including redistribution of income, economic growth, full employment, enhanced intergenerational mobility, increased access to public goods and other social welfare products when properly targeted (Otto & Nkoro, 2022). In fact, Keynesian success formula of the 1930s, hinged largely on public spending and taxation.

3.1 Keynesian Thesis

Classical economics believe in the optimal functioning of markets as encapsulated in the Jean Baptiste Say's law of markets, first published in 1803 (reprinted in 1834) to the effect that; *Supply will create its own Demand*, meaning that a market was expected to be self-regulating. So, interferences by government beyond the provision of security and social infrastructure were considered ill advised. However, Keynes knew that the market could achieve equilibrium if left on its own but noted that this could take a long time to occur. To achieve equilibrium faster, Keynes (1936) argued that there was need to fine-tune the market through public spending and taxation depending on the sources of challenge in the economy. When an economy is overheating, evidenced by high inflation, the right policy is to increase taxes. On the other hand, the right policy to minimize unemployment or eliminate economic recession is to increase public spending. The application of fine-tuning was very successful in returning Europe out of the great depression. Since then, public spending has been used to enhance economic outcomes. Other theorists of public spending include Paul Samuelson, Wagner, Wiseman-Peacock and Musgrave.

The *General Theory of Employment, Money and Interest* which contained the thesis, was published by Keynes in 1936. The thesis offered a theoretical plank for government intervention and management of an economy especially one that is affected by the fluctuations of a business cycle.

Keynes observed that:

i. Supply may not automatically create its own demand every time as assumed from Say's law. In fact, there was possibility for a glut in output, as savings may not automatically transform to investments and generate employment as postulated in Say's theory. This is a fact that is obvious in many developing economies. In these economies, the rich often amass wealth which is spent in ways that generate capital flight from the local economy.

ii. Wages and prices of goods may not be flexible as assumed in the classical theory. In Nigeria, prices are often sticky downwards.

iii. The assumption of full employment in a market economy was not tenable on a regular basis, rather full employment occurs occasionally. The general trend of a capitalist system is under employment. This is due to the fact that supply often exceeds demand. Consider the huge numbers of unemployed people ready to supply their labour resources at current wage rates but have no corresponding demand (Jhinghan, 2008; Dikeagu, Ohale & Otto, 2016).

However, aggregate demand (Y), is the summation of private consumption (C), private investment (I), public spending (G) and net external flows (nx), mathematically shown in equation 6 and expanded below in equation 7 as:

$$Y = C + 1 + G + nx \equiv C + I + G + (X - M) \qquad \ldots 7$$

This equation may not necessarily be stable all the time as it could shift in any direction (up or down). Keynes came to the conclusion that:

i. An economy may be trapped in underemployment equilibrium where aggregate demand is equal to aggregate supply even with unemployed resources in the economy.

ii. Artificial influences by the way of monetary or fiscal measures can be introduced to direct or quicken an economy to achieve predetermined macroeconomic objectives.

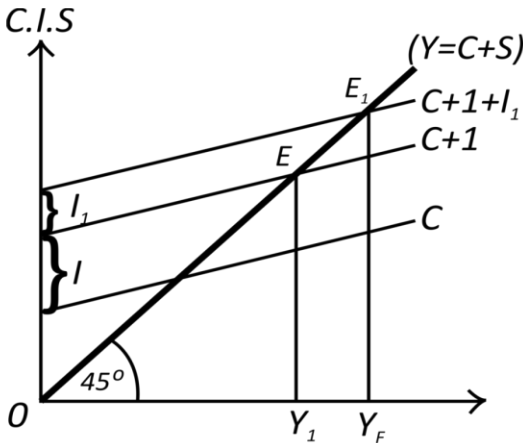

Figure 5: Determination of full employment in a two sector model
Source: Jhinghan (2008:562)

Figure 5, adapted from Jhinghan (2008:562) illustrates an under employment equilibrium. On the graph, consumption, investments and savings are on the vertical axis while income and employment are on the horizontal axis. C+I is the aggregate demand curve plotted by adding to consumption function C, an equal value of I (investment) at all levels of income. The 45 degree line defines the points where aggregate supply is equal to aggregate demand. So, the economy is at equilibrium at point E, where C+I cuts the 45^0 line. At this point of effective demand, equilibrium income and employment OY_1 is achieved. But this is an **underemployment equilibrium**, which is often a regular feature in a capitalist economy. Assume that OY_F is full employment income level. To reach that level, autonomous investment may be increased by I, so that the C+I curve shifts upward as $C + I+I_1$ curve. This is the new aggregate demand curve, which cuts the 45 degree line at $E_{1.}$ This confirms that it is the multiplier effect of an increase in investments that leads to an increase in employment and income $Y_1Y_{F.}$

Keynes had observed that the source of the great depression of the 1930s was demand deficiency, thus, the needed solution was to prop up demand and this could be effectively done through government intervention and spending. This suggested solution was experimented by governments in Europe, and it turned out to be the way out of the great depression then. The success of that experiment showed that government intervention can help resolve disequilibrium (Dikeogu, Ohale & Otto, 2016).

This thesis generated a huge shift in economic thinking and encouraged the study of macroeconomics, because it put public spending as a solution to undesirable conundrums. It was clear from the works of Keynes that fiscal policy (taxation and public spending) can be used to fine-tune an economy and create situations necessary to achieve economic stability faster than waiting for a long run natural self-correcting effect through markets. This is because for a demand deficient economy, government may increase its spending in the local economy and enhance the spending power of the populace. This increased spending would call forth greater output and clear unsold goods. The increased demand would necessitate increased employment and output. On the other hand, if an economy was becoming inflationary, government could increase taxes and reduce the spending power of the populace, thus weakening demand pull inflation. Keynes's postulation was lauded and variously referred to as Keynesian economics, Keynesian theory, New economics or Keynes revolution (Clarke & Valesquez, 2022).

Keynes's postulation was the basis of the Marshall Plan in Europe. The Plan, which was signed into law on 3rd April, 1948 by President Truman, was named after Marshall, the then, United States Secretary of States. Marshall had suggested in 1947, that the US should provide funds, in form of economic assistance at the end of the 2nd World War (WW2) to Europe. These funds created enhanced demand and facilitated the rebuilding of Europe. The Plan was successfully executed in many European countries. The Marshall Plan on its own encouraged stability and prosperity in these European economies especially Britain, which received approximately 26 % of the fourteen billion dollars meant for the development and resuscitation of the Second World War ravaged economies.

The success of the Marshall Plan in Europe also encouraged the emergence and growth of development economics in materially poor economies of Africa, Asia, and Latin America in the late 1940s and early 1950s. It is important to state that Keynes is not directly associated with development economics, as Keynes died in April, 1946. It is the applicability of his thesis that worked in Europe that is being experimented in developing countries. The question is, will the Keynes' theory perform in Nigeria, the same way, it did in Europe?

3.2 Efficacy of Public Spending: My Contributions to knowledge

Vice-Chancellor Sir, I have done several empirical studies and offered my humble contributions in this aspect of development economics along with other aspects, beginning from 2000; either alone or in concert with others. I have also guided some post graduate supervisees in examining the efficacy of public spending in Nigeria. In economics, often, the laboratory to test the efficacy of theory is the economy itself. A few examples of my contributions and others are discussed below in line with the objective of this lecture.

(a) Public Spending and Project Management

Public spending in Nigeria is spread across many sectors, industries and states, including petroleum, transport, agriculture, health and education among others. Otto (2000) however, observed that many public financed projects in Nigeria tend to fail as a result of poor planning, inadequate financing or ill timed releases of funds budgeted for such projects among other reasons. From a survey conducted, across the country, covering 2300 public financed projects, it was observed that only 28.2% of these projects successfully delivered as planned without time and cost variations. These projects were mainly initiated in the 1990s by the then military administrations in Nigeria. With such rate of failure, Otto (2000) noted that the objective of public spending was not fully realized. Otto (2000) further identified ten sources of project failure in Nigeria and recommended what may be done to resolve such challenge. The study noted that the consequences of failed public financed projects could include drain on public resources, exacerbation of public debt, and loss of the expected benefits. Examples of failed projects include the steel plants at Ajaokuta, Aladja and Osogbo. Nigeria with its huge petroleum deposits and four public financed refineries continues to import petroleum products. The implication is that prices of petroleum products are high now in Nigeria and the spiral effect of high petroleum products prices on other goods in the economy is affecting the welfare of Nigerians and driving many people into extreme poverty. This impact is not equally distributed across the spectrum of the economy; there are a few who benefit from these failures even if only in the short run.

To enhance successful project implementation and build skill sets, required to drive project implementation, Tamuno and

Otto authored a book on the principles of project planning and evaluation in Nigeria. The book, Tamuno and Otto (2000), presents critical principles on how to identify viable and bankable projects, how to raise the needed resources to finance projects and how to monitor and manage projects from inception to completion especially in the public sector. The book clearly differentiates public from privately funded projects. The objectives of public spending often differ from those of the private sector. The private sector often aims at private profitability but public spending, most times are meant to correct market failure, enhancing equity and achieving social profitability. So, the tools of analyzing public projects go beyond those used for private projects. The work has provided tools to relate with both scenarios. The major challenges militating against public spending on infrastructural development in Nigeria include inadequate skill sets, volatile exchange rate, capital constraints arising from the monocultural dependence on petroleum resources, poor project monitoring, inefficient project conception, inadequate tools for project monitoring and weak application of critical path analysis in project planning and implementation among others. The book has been used as a basic text for courses in project planning and evaluation in at least five universities in Nigeria.

Otto and Ukpere (2013) appraised the effect of public spending on rural development projects in Rivers State. These projects include the Roots and Tuber Expansion projects, School to Land Programme and projects under the Rivers State Integrated Rural Development Programme (RAIDEP). Others were projects engineered by wives of Presidents or Governors using public finance. These include the Better Life for Rural Women Programme, Family Support Programme (FSP), and Family Economic Advancement Programme (FEAP). The study also evaluated interventionist programmes such as those done by the Directorate of Food, Roads and Rural Infrastructure (DFRRI), the Niger Delta Development Commission (NDDC) and its precursors. Public spending directed to these projects were aimed at enhancing welfare through programmes in health, education, water supply, improved roads, housing, electricity and enhanced agriculture in different areas of Rivers State especially the rural areas. The spending was also to prop up demand, create job opportunities and lead to economic growth. From the study, it was clear that some of the benefits were realized, the projects created direct and indirect jobs, improved rural infrastructure in some rural areas but many of these projects failed and could not deliver the expected objectives of public allocated finance for the projects, except for the enhanced money supply. This enhanced money supply, which was not spent in project implementation for several reasons fuelled demand pull inflation in the economy instead of the expected development objective. Based on the study, appropriate recommendations were made for the benefit of funding agencies and other stakeholders, which could optimize public spending on rural development projects. This work is available on Google and is widely consulted by scholars across the globe.

Otto and Ukpere (2014) compared different administrative dispensations in Rivers State with respect to public spending on infrastructural development. The study showed that the number and quality of infrastructure delivered in the democratic dispensation were visible and impactful in the State. These projects include roads, public schools and agricultural projects. The rural development initiative of Chief Melford Okilo, and the projects including the Rivers State Secretariat complex, Olympia Hotel, Liberation Stadium, among others built by Commander A. P. Diete-Spiff and their effect on human welfare were noted. The essence of this study and documentation was among others to see the effect of public spending on economic development and identify the contributions of each administration to raising welfare in the State.

Njoku, Ohale and Otto (2017) reviewed public spending on agricultural development programmes in Rivers State. The interest was to identify the impact of these projects on human welfare and rural development through increased food production, health, access to market centres and improved income. The study which was based on cross sectional survey, identified such projects as Roots and Tuber Expansion Programme, School to Land Programme, National Programme for Food and Security, among others. Some of these programmes are now defunct.

Okoh (2022) established that public spending on infrastructure does not significantly impact on economic development in Nigeria. The study covered a thirty-year period, 1990-2020. This is likely to be so because the major contractors employed to drive such projects may be Chinese, Italians or other foreigners, who import equipment and personnel including less equipped manpower to provide some of these infrastructure, while their Nigerian counterparts remain unemployed, and when employed are paid very low wages. The net effect is that the development impact of the spending is located elsewhere. The study observed that indeed huge sums have been spent by various governments in Nigeria but the effect of such spending has not been achieved due to targeting problems. More specifically, the benefits incidence of these public spending favour the rich and powerful and therefore has tendency to aggravate inequality or lead to intergenerational persistence of socio-economic status as against the objective of correcting market failure through equal opportunities and increased intergenerational mobility. This is not difficult to understand, given the level of independence and development of basic institutions in Nigeria.

(b) Public Spending and Security

Following upsurge of security breaches in Nigeria especially in Northern Nigeria, Otto and Ukpere (2012) examined the nexus between security and national development in Nigeria. Public spending on security was used as proxy for security while gross domestic product (growth) served as proxy for development. The essence was to see if the huge annual public spending on security was translating to growth of the Nigerian economy which may be observed through increased output, since that was a key essence of spending, in addition to peace. When there is peace, productivity is likely to be enhanced, leading to economic growth. The work covered a period of thirty years; from 1980 to 2009. From that study, the indication was that public spending was efficacious over the period as there was a positive relationship between public spending on security and economic growth. The implication is that more spending could enhance peace and productivity in Nigeria. The outcome of this study is available on many open source platforms in the World Wide Web, especially ResearchGate. The work is frequently cited by scholars across the globe.

Kole, Ohale, Otto and Nenbee (2022) examined how public spending on maritime security affects economic development of the nations bordering the Gulf of Guinea (GoG). Goal 14 of the United Nations Sustainable Development Goals (UNSDG) emphasizes maritime security and sustainable use of ocean resources. In recent times in Nigeria, the role of the blue economy is being appreciated. Nigeria is bounded at the South by the GoG, from the Niger Delta to the South West. The blue economy is a rich resource that offers so much including transport, food, income, raw materials and many more, worth billions of dollars. These resources need protection for Nigeria as well as other countries adjacent to the GoG. Nigeria is the biggest country with the biggest security apparatus along the GoG. This work examined the effects of public spending on the GoG Security on economic development of nations that border the GoG. The scope of the work covered from 1995 to 2021. The data used for the analysis were sourced from the World Bank Development Indicators and International Maritime Bureau-Piracy Reporting Centre. The study used a panel data analysed with Autodistributed Lag Model (panel ARDL). The study found that maritime piracy and sea robbery have impact on per capita income which was the proxy used for development. The study recommends that countries along the GoG should increase intelligence sharing on maritime crimes among its law enforcement officers as contained in the 2013 Yaounde Declaration.

(c) **Public Spending and Fiscal Federalism**

Tom-Ekine and Otto (2010) examined public expenditure management among sub-national governments in Nigeria. The study noted that political decentralization of social-economic responsibilities, functions and powers always generate relational and fiscal issues. Decentralization of political systems can create a set of intergovernmental fiscal relations. Nigeria is a federal government with thirty-six (36) sub-national governments and seven hundred and seventy-four (774) local government areas. The Constitution of the Federal Republic of Nigeria (1999) clearly specifies the duties and powers of each tier of government including the sectors or areas in which each tier of government may manage. There is the Exclusive list, the Concurrent list and the Residual list of items which the different tiers of government in Nigeria, have control over. The study noted that there was too much centralization of oil revenue in Nigeria, which is then disbursed from the Centre to different tiers of government for spending in a decentralized form. This constrains the public spending possibilities of some sub-national governments as many of these governments are not encouraged to exploit local alternative sources of funding in their states. More so, because while the resources from certain parts of the country are seen as national assets those in other parts are not. This injustice has continued to fuel ill feelings and discontent from sections of the country. The study suggested that fiscal federalism could encourage more national income, efficient public spending and also enhance development in the constituent States in Nigeria.

Similarly, Nkoro and Otto (2023) examined the impact of fiscal federalism on economic development in Nigeria, covering a period of 41 years (1981-2021). In the study, revenue and expenditure decentralization were used as proxy for fiscal federalism. Revenue decentralization (RD) was defined as the ratio of sub-national governments revenue to total public revenue, mathematically shown as:

$$RD = \frac{\mathrm{LGDR} + \mathrm{SGDR}}{\mathrm{LGDR} + \mathrm{SGDR} + \mathrm{FGDR}}$$

RD = Revenue Decentralization, LGDR = Local Government Revenue, SGDR = State Government Revenue, FGDR = Federal Government Revenue.

While Expenditure Decentralization (ED) was defined as ratio of State and local Governments Expenditure to Total Public Expenditure, shown as:

$$ED = \frac{\mathrm{LGDE} + \mathrm{SGDE}}{\mathrm{LGDE} + \mathrm{SGDE} + \mathrm{FGDE}}$$

ED = Expenditure Decentralization, LGDE= Local Government Expenditure, SGDE= State Government Expenditure, FGDE = Federal Government Revenue.

Public spending and income were decentralized to sub-national governments to see the effect of public spending at that level on economic development. The study employed the autoregressive distributed lag approach and the data were sourced from the World Bank and the Central Bank of Nigeria.

The results show that public spending, when decentralized could have a positive and significant impact on economic development in Nigeria. The meaning is that States are likely to be better off if the federal government practices true federal system of government with the constituent States generating its income and contributing to the federal government as different from a situation, where the federal government appropriates all revenues and distribution is made from the centre, which is the practice in Nigeria. Government was thus advised to consider reforms through constitutional amendments.

(d) Effect of Public Spending on Economic Growth and Inflation

Against the fears of demand pull inflation which could arise if government accedes to the demands of labour unions in Nigeria, Otto and Ukpere (2015) examined the effect of fiscal policy (public spending and taxation) on inflation in Nigeria. The model for the work was specified as follows:

INFL= (GDP, GREV, GEXP) which is the functional or mathematical model.

$INFL= \beta_0 +\beta_1 GDP+\beta_2 GREV+\beta_3 GEXP +U$

INFL = Inflation, GDP= Gross Domestic Product, GREV= Government Revenue, GEXP = Public Spending, while U is the stochastic variable.

The necessary diagnostics test for stability of the data were done using the Augmented Dickey Fuller (ADF) unit root test, Jarque-Bera and cointegration using Johansen test. The granger causality test was also carried out. The Granger causality shows that the direction of relationship is from GEXP to INFL, implying that public spending in Nigeria leads to inflation. The study covered 32 years (1980 to 2011), using annual data as published by the Central Bank of Nigeria.

It was observed that public sector projects in Nigeria are often affected by inflationary pressures. Projects planned on the basis of current market prices, soon run into difficulties because inflation may have doubled the planned prices. The welfare of workers and pensioners are often negatively affected by inflation which erodes the purchasing power of the incomes. For instance, a salary of N200.00 was a lot of money in 1980 which could sustain a senior civil servant for a month but as at 2011, that amount had been weakened by inflation to the extent that it was no longer sufficient to sustain the same staff beyond one day.

Inflation control is important in any economy and price stability is a key objective of fiscal policy. This objective had been difficult to achieve with public spending alone. Evidence from the study shows twenty-eight percent (28%) impact of public spending on inflation. The study noted that inflation in Nigeria is driven by corruption, multiple taxation, high cost of capital and inputs, inadequate public infrastructure and scarcity of goods, amongst others. The study recommended that government should increase its capital spending to provide roads, security, basic education and pilot industries. These infrastructures could incentivize private sector players to invest and produce more goods, cheaper, especially those items that can be more efficiently produced by the private sector. This symbiotic relationship between the public and private sectors could create room for enhanced employment, economic growth and development. The study also suggested the need to enact policies that will encourage investors and employers of labour to distribute the gains of production fairly among the relevant stake holders, including workers. In some industries, firms annually declare huge profits but pay their workers low wages, use casual labour, inadequate tools and weak infrastructure to provide their services. The effect is that customers are poorly served but management declares huge profits and earn jumbo remunerations. This work is frequently cited by authors across the world. In fact, it is cited in the first paper of the first Central Bank of Nigeria **Bullion** of 2023 (volume 47(1), January to March, 2023).

Otto and Omoro (2013) examined the effect of public spending on economic growth in Nigeria, between 1970 and 2009, a period of forty years, using data from the Central Bank of Nigeria. The data was analyzed with the Ordinary Least Squares (OLS). Public spending was defined to include transfer payments and other expenditures by the different layers of government on consumables, capital items and services. The result showed a positive relationship between economic growth and public spending, implying that public spending can catalyze economic growth in Nigeria. The adjusted coefficient of determination (R^2) was found to be

71.2%. The study showed the importance of government and its spending as an engine for growth in Nigeria.

Dikeogu, Ohale and Otto (2016) examined the impact of public spending on economic growth in Nigeria between 1970 and 2013 (44 years), using annual time series data from the Central Bank of Nigeria. The data was analyzed with the OLS and Error Correction Mechanism (ECM). In the study, two models were used. The first model tested the effect of aggregated public spending on economic growth in Nigeria, holding money supply as a control variable as follows:

EGr = f(GEX, MSS)

While the second model disaggregated public spending into capital and recurrent expenses over the same period, as shown below, with money supply still serving as a control variable.

EGr = f(GCE, GRE, MSS)

Where:

EGr = Economic Growth rate
GEX = Government Expenditure (aggregated)
GCE = Government Capital Expenditure (spending)
GRE = Government Recurrent Expenditure
MSS = Money Supply

Effectively the econometric form of these models were stated as below;

$$EGr = \lambda_0 + \lambda_1 GEX + \lambda_2 MSS + \mu_1$$
$$EGr = \lambda_0 + \lambda_1 GCE + \lambda_2 GRE + \lambda_3 MSS + \mu_2$$

Where μ, is the error term.

Necessary diagnostic tests were applied to ensure the data were stationery including the unit root and co-integration tests. The findings show that public spending, when aggregated did not significantly impact on economic growth within the period under investigation. However, when disaggregated into capital and recurrent expenses, the outcome was different for the same period. The outcome of the disaggregated model show that public spending could impact positively on economic growth. The effect of public capital spending on economic growth was positive. The study therefore encouraged government to channel its expenditure to upgrade public infrastructure such as roads, bridges, power supply, communication including health and education infrastructure. Economic growth is a key goal of public spending and is a necessary though not sufficient criterion for economic development. A stagnating economy, all things being equal, cannot be said to be developing.

(e) Public Spending Effect on Agriculture, Education and Health

Public spending being public resources, by the Constitution of Federal Republic of Nigeria (CFRN, 1999) are initiated through budgetary processes, which include inputs from the ministries, extra ministerial departments and the legislature in a democratic dispensation. Therefore, several factors affect the amount of money allocated to any sector, industry, agency or project. So, beyond economics, there is politics in the allocation of public spending, which may or may not be consistent with the economic objective of public spending. Otto and Nkoro (2019) interrogated the relationship between budgeting, agriculture and national development in Nigeria.

The study noted the huge funding gap required to modernize agriculture in Nigeria. Public spending in the sector could either be used directly to build infrastructure such as public silos, cold rooms or other infrastructure required to support production and minimize waste of produced goods. Public spending could also be used to procure excess output that farmers are unable to sell during harvest seasons. This can stabilize prices and encourage increased output in the next farming season. In other words, public spending can impact on the welfare of farmers directly or encourage increased output, depending on how it is applied. Government was advised in line with the unbalanced growth theory, that public spending (investments) should be directed to critical sectors of the economy with high multiplier potentials to enhance the rate of economic growth and welfare delivery in Nigeria. The study which covered a period of 39 years (1980 to 2018) observed that public spending through the budgeting process impacts positively on agriculture; the higher the spending, the greater the output. The data used were annual time series data obtained from the Central Bank of Nigeria annual bulletins.

Similarly, Otto and Nkoro (2022) investigated the impact of public health expenditure on economic development in Nigeria for the period, 1981 to 2019 (40 years), using data from the Central Bank of Nigeria. Because time series data which may also be referred to as time-stamped data may be non stationary and lead to spurious regression, the data were subjected to Augmented Dickey Fuller (ADF) test and the co-integration test. The outcome of the regression analysis shows that there was a long run relationship between real gross domestic product which served as the proxy for economic development and public health expenditure. However, while capital health expenditure impacted positively on real gross domestic product, recurrent health expenditure did not. Based on the outcome of the study, it was necessary to advise government to concert efforts to upscale public health infrastructure in Nigeria. This could minimize brain drain of doctors and other health practitioners in our hospitals as well curtail health tourism which drains scarce foreign exchange in Nigeria.

Castro-leal, Dayton, Demery and Mehra (1999), examined the effect of public spending in selected African countries; Cote d'ivoire, Ghana, Guinea, Kenya, South Africa and Tanzania. The study examined the effect of public spending on education and health, which are often necessitated by efficiency and equity objectives. For instance, efficiency gains may be achieved when public spending as subsidies generate external benefits in such economy or correct market failure by providing equal opportunities for all. Education and healthcare are fundamental to human capital development of any country. The outcome of some studies as discussed show that public spending can effectively be utilized to enhance economic development.

Public spending on education and health enhances a nation's ability to have the requisite manpower needed to keep it functioning. It has been observed that seventy percent (70%) of the wealth of High Income countries is accounted for by human capital (Anyiwe, 2021). It is for this reason government was advised to fund education with 15 to 20% of its budget by

United Nations Educational Scientific and Cultural Organisation (UNESCO), though what is commonly quoted or misquoted is twenty-six (26%) allocation (Azeezat, 2017).

Furthermore, given different sectors of an economy, the implication of public spending may mean increasing access to public education and sometimes defining opportunities for those with lower ability to pay for privately provided education. It could also mean greater access to health for the sick instead of depending on privately provided health which is often informed by profit motives and thus, could be unaffordable to the poor, who are often more prone to sickness because of their inability to afford necessary nutrition, safe shelter and other health protecting needs.

Also, Otto (2011) has shown that public spending can enhance the possibility of reducing inequality in society by encouraging human capacity building for poor households, which in turn enables them to enjoy intergenerational shifts from lower socio-economic strata to more desirable economic strata and evening up social inequality. Public spending generates social infrastructure in form of goods of common toll, such as roads, bridges, schools and security among others, *ipso facto*, enhance general output, employment and human welfare. Producing these goods will need huge sums, which may be unaffordable for the private sector. Even if it was possible to execute such projects from private pockets, their nature requires public responsibility in managing them.

Otto (2008), examined public spending on education in Nigeria. The study shows that the impact of public spending on education in Nigeria, may be disaggregated into two; the impact on the entire national development and the distributional impact on segments of society. The study demonstrated that public spending on education has positive impact on national development as a whole. This is because education is a merit good, with social benefits extending beyond the private benefits of the investor, which include greater pool of skills and competencies available to the investing economy, improved tax incomes and enhanced overall output and among others. Public spending on basic education has impact on the child, who often relies on the investment decisions of his or her parents to acquire requisite skills necessary for his or her survival in life and where such parents are unable, unwilling or negligent, the child is denied education but society is implicated by the parental neglect. This is the case in some parts of Nigeria. The uneducated children grow up to be liabilities for the economy. In Nigeria, for several years many parents preferred to invest more on the education of male children rather than the female child, and many intelligent female folks were denied structured education, with the consequent negative impact of such decisions on overall output and welfare of the country.

Korgbeelo (2019) reviewed the impact of public spending on agriculture in Nigeria, using data obtained from the Central Bank of Nigeria. The study disaggregated public spending on agriculture in Nigeria into recurrent and capital expenditure. The study which covered the period 1986 to 2017, observed long run equilibrium in relationship between public spending and agricultural output. The study also recommended an increase of public budgetary allocation to agriculture, especially capital spending. In spite of the positive outcome of public spending on the sector, the study showed that contributions of the agricultural sector for the period of 1960-2017 to the Gross Domestic Product (GDP) was falling as follows; 63% in 1960, 47% in 1970, 20.16% in 1980, 31.5% in 1990, 26.03% in 2000, 23.89% in 2010, and 21.06 in 2017. Obviously, the point is that there was an increasing shift away from agriculture to other sectors of the economy. So, in spite of the growth of the sector in real terms, relative contribution of agriculture to the economy was on the downward trend.

Nwine and Otto (2001) examined the impact of public spending on university education in Nigeria. The study established the fact that public spending matters but that the benefits of public spending were skewed in favour of the middle class otherwise referred to as the moderate poor. This is because, the children of core poor background are unable to proportionally access admission spaces due to insufficient information, inability to meet up the cross-over costs (charges) required to remain in school, or the initial human capital investments required to equip the youth to compete for admission spaces. This in part explains why some of these ill-equipped candidates resort to examination malpractices. So, the public spending objective of increased access of the poor to educational spaces is not fully realized.

Otto (2006) amplified and shed more light on the benefit incidence of Public Spending on Education (PSE) and its effect on intergenerational socio-economic mobility in Rivers State. This study was based on a cross sectional survey of 1000 households (questionnaire respondents) from the three senatorial zones in Rivers State. The study using World Bank (international) poverty profile of one and two dollars minimum daily consumption per capita, which was in vogue as at 2003, constructed a profile for Nigeria into five quintiles as follows:

K_1 = Monthly income below N15,000
K_2 = Monthly income between N15,000 to N32,999
K_3 = Monthly income between N32,999 to N65,999
K_4 = Monthly income between N66,000 to N160,000
K_5 = Monthly income above N160,000

As shown above, the profile was based on income rather than consumption. However, the Federal Office of Statistics (now National Bureau of Statistics) ranked Nigerians at that time into three categories; the core poor, the moderately poor and the non poor. These were accordingly marked in the work as X_1, X_2 and X_3. The National Bureau of Statistics categorization, was reconciled with the profile constructed for the study as follows:

Below N32,999 = K_1 and K_2 = X_1 = Core poor
Between N32,999 and N65,999 = K_3 = X_2 = Moderately poor
N66,000 and above = K_4 and K_5 = X_3 = Non poor

The meaning is that any household earning below thirty two thousand, nine hundred and ninety-nine naira (N32,999) monthly at that time, was unable to consume one dollar equivalent for each of the six people and hangers on, that constitute an average household in Nigeria, namely; father, mother and four children. More so, since income is often defined to include consumption and savings (Y= C+S), where Y= income, C=consumption and S=savings. At that time the exchange rate to the dollar was N140: $1 but the minimum food intake per person (i.e. about 750 calories) in Rivers State was between N120 to N180 per capita daily depending on location in the State. Households who earn between N32,999 and N66,000 were considered moderately poor also referred to as the middle class but those who earned above sixty-six thousand naira were considered as non poor. So, public spending on university education is distributed or competed for by members of these different household groups based on successful enrolment; namely X_1, X_2 and X_3. Thus, the model was specified as:

$G = \sum X = X_1+X_2+X_3,$ where G= Public Spending on University Education (PSE) and X_1, X_2 and X_3 were the household groups, who were potential beneficiaries of education. The target of public spending is to assist the poor access education and achieve enhanced skills. The sample was divided into two; those who graduated from universities and other higher institutions within the last twenty years and those who graduated earlier. But the main information required was their pre-school socioeconomic background. This was achieved through the occupation of their household head, place of residence, estimated income among others. The outcome of the study is shown in Table 2.

TABLE 2: Benefit Incidence Analysis of PSE by Household Type

Household Type	Experience: Less than 20 years		Experience: Circa 20 years or Over		Total	
	No	%	No	%	No	%
KI	21	4.4	69	15.3	90	9.7
K2	144	30.3	113	25	257	27.8
K3	170	35.8	129	28.7	299	32.4
K4	107	22.5	91	20.2	198	21.4
K5	32	6.7	47	10.5	79	8.5
Total	475	51.4	449	48.6	924	100

Source: Otto (2006)

Table 2 shows that, on the whole, K1 households, which is the poorest of the poor group had 9.7% of their members enrolled into different university programmes funded by government. K2, which is also in the group of the poor but more financially equipped than K1, had a benefit incidence of 27.8% of public spending. From the total sample, those from households in this group were 257. K3 which represents the moderately poor is the highest beneficiary of public spending. 299 respondents from households in this group were enrolled and this amounts to 32.4% . K4 had an enrolment of 198, which amounts to 21.4 % of total enrolment while K5 had 79 participants or 8.5 % enrolment rate.

The study showed that public spending on education also affects intergenerational socioeconomic mobility. If the spending is well targeted such that it achieves its redistribution objective, children of the poor can access education, improve their human capital and subsequently leverage on human capital to exit their undesirable socioeconomic status of birth. In point, those born poor can effectively take advantage of public education and other supplemental expenditures of government to enhance their human capital. This could empower them to succeed in the labour market and predispose them to vacate poverty sometimes with *implications* for the entire family of birth. The educated with enhanced skills earn more, are more productive and pay more tax, which may assist government recoup its investments on education. But the redistribution objective had challenge.

The study observed that people from non-poor households often travel outside Nigeria to access high quality university education especially from Europe and North America. The proportion of this class who sit for the Joint Admissions and Matriculation Board Examinations is small. Therefore, this group does not fully utilise public spending on university education in particular and rarely send their children to public primary or secondary schools. At the other extreme, the children of the very poor, because of associated charges, information inadequacies and competition for spaces and many other reasons do not proportionally benefit from public spending on education. The children of the non-poor return to the country well equipped and take-up political appointments, well-paying opportunities in industry or become employers of labour in their own rights, taking advantage of the head start opportunities provided by the social capital of their parents. This has continued to have an intergenerational persistence effect in Nigeria.

Obi and Obi (2014) examined the impact of public education spending on economic growth in Nigeria for the period, 1981 to 2012. The study used data from the Central Bank of Nigeria which was analysed with the ordinary least squares regression and Johansen co-integration. The study observed that there was no significant long run relationship between public education spending and economic growth in Nigeria. The study attributes this outcome to labour market distortions, frequent declaration of redundancy and retrenchment exercises in Nigeria

(f) Contribution to Other Aspects of Development Economics

Mr. Vice-Chancellor Sir, as shown by Todaro and Smith (2003:42) development economics transcends fiscal policy as it aims at enhancing welfare in materially poor countries using different strategies. I have discussed my contributions that are related to the topic of this lecture in the above sections (a-e). For instance, Nkoro and Otto (2018) deals with the effect of agricultural sector output on economic growth in Nigeria, this is obviously development economics, but because public spending was not directly used for the study, it is not mentioned in 'a' to 'e' above. Similarly, I have also researched on the role of private investments, issues in petroleum, intergenerational mobility and logistics among other economic challenges plaguing the development of the Nigerian economy.

From the studies discussed above; while some conclude on the positive impact of public spending, others deny such positive impact citing issues as poor targeting, institutional frailties, labour market distortions and other factors especially local conditions. Figure 6 shows the trend of public spending in Nigeria as a percentage of gross domestic product from 1981 t0 2022 and Figure 7 is the trend of gross domestic product in Nigeria from 1960 to 2022.

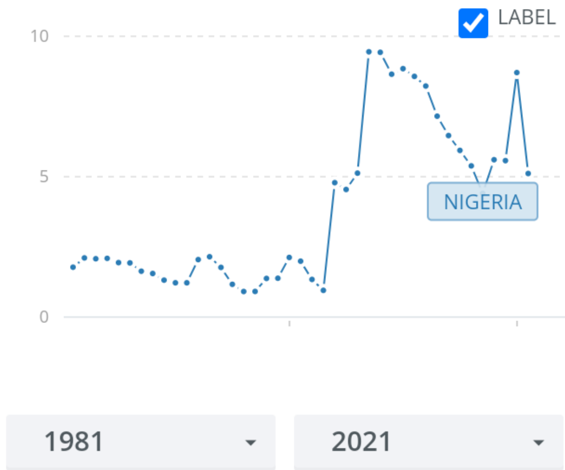

Figure 6: Trend of Public Spending as percentage of GDP in Nigeria, 1981-2022

Source: World Bank

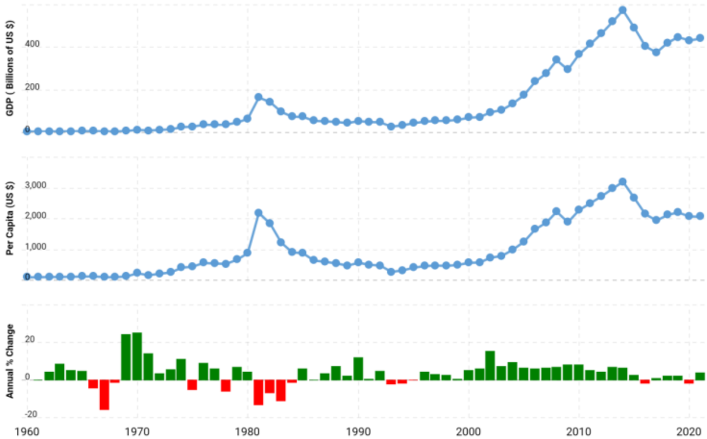

Figure 7: GDP in Nigeria: 1960-2020

Source: World Bank (2022)

3.3.3 How may public spending help?

Though Keynes recommendation was to rev up aggregate demand which was the challenge at his time, public spending can be used to facilitate economic development in different ways. It is apt to illustrate this a little further.

i. Social and economic overheads in Nigeria

Public spending may be used to provide public goods, such as roads, bridges, schools and other social infrastructure. As noted by Rosenstein-Rodan (1961) in his theory of the Big push, investments required to grow a developing country may be grouped into two, namely; Social Overhead Cost (SOC) and Direct Productive Activities. Social overhead costs are expenditure required to build and maintain social infrastructure as roads, security, health, bridges, power supply, education and such other public utilities. Social overhead investments are the responsibility of government. If government effectively supplies these services, they reduce the burden of the private sector and the populace. The private sector can then concentrate its resources on direct productive activities and produce at cheaper costs. For clarity, if government has effectively provided security, roads and power, the private investor can concentrate its investments on the very activities which it produces and supply same to society at lower unit prices. These lower priced-goods will then compete favourably across local and international markets, enhancing profitability for the investor, tax incomes for government and welfare for consumers of the products. This is not so in Nigeria now.

ii Energy Access

Nigeria has twenty four power generating plants. Total electricity generation capacity of all the plants is about 12,522 megawatt (MW) of electricity, a wheeling capacity of 7500 MW but electricity distribution from the National grid for years has been circa 4000 megawatts of power. This supply is for a population of approximately, two hundred and thirty million (230,000,000) people who live in Nigeria, aside firms and other agents of production. The supply translates to about 17.40 (installed capacity=54.44) watts of power daily per capita, which is grossly inadequate. This low supply has meant that producers resort to importation and use of private electricity generators (or alternate sources of power), further increasing cost of production. Figure 8 is electricity access from 1990 to 2023 which show that there are marginal improvements in access.

Figure 8: Nigeria Electricity Access 1990-2023

Source:https://www.macrotrend.net/countries/NGA/Nigeria/electricity-access-statistics

Ten countries in Africa enjoy uninterruptible power as shown in Table 3. Nigeria is not in the list.

Table 3: Countries with Uninterruptible Electricity in Africa

Serial No.	Country	Total (%)	Urban (%)	Rural (%)
1	Ghana	85	94	74
2	Egypt	100	100	100
3	Kenya	80	94	62.7
4	South Africa	80	80	80
5	Gabon	91.6	91	91
6	Tunisia	100	100	100
7	Algeria	99.8	99.9	99.6
8	Morocco	100	100	100
9	Senegal	70.4	95.2	47.4
10	Botswana	72	90	26

Source: Tribuneonlineng.com. retrieved on 01/07/23

iii. Security

Apart from power, security is a huge challenge which public spending could deal with. As it is now, every investor in Nigeria needs to set aside huge sums of money, from its investment capital for security. In fact, in recent times, local farmers are afraid to stay in their farms beyond afternoon in many communities across the country. In some parts of Nigeria, farmers pay security fees to non-state actors before they can farm (Oji, 2023). Many investors are scared to venture into some sectors of the economy due to insecurity in different parts of Nigeria. Table 4 presents major crimes in Nigeria in 2022. In 2023, Nigeria ranked second in organized crime in Africa, with a criminality score of 7.28 (https;//leadership.ng>Nigeria-ranks)

Table 4: Summary of Major Crimes in Nigeria in 2022

Terrorism	Armed Banditry	Murder Cases	Armed Robbery Cases	Kidnapping	Others	Total
320	974	1,722	679	1,925	739	6,359

Source: Ministry of Police Affairs (https://policeaffairs.gov.ng retrieved on 07/03/24

iv. Road Infrastructure

With respect to public road network, Nigeria is served with two hundred thousand (200,000) kilometers of roads. Ownership of these roads are as shown in Table 5.

Table 5: Ownership of Roads in Nigeria

Federal Government of Nigeria	18%
State Governments	16%
Local Governments	66%

Source: https://nairametrics retrieved on 01/07/2024

As of 2019, only one third (1/3) of these roads were paved. Many of these roads are currently challenged and are failing. This in itself adds or increases the cost of commuting, leads to increased depreciation of roads, vehicles, and ultimately to increased cost of production in Nigeria. Because of insecurity on Nigerian roads, many people in the North opted for air or rail modes of transport, until it became clear that even the rail and air modes of transport could also be attacked. A Kaduna bound train from Abuja was attacked on the 28th of March, 2022 in Katari, Kaduna State and some of its passengers kidnapped. The Kaduna International Airport was also attacked and some security guards killed on 27th March, 2022 (Mikairu & Hassan-Wuyo, 2022). In the 2022 global competitive index on infrastructure, Nigeria ranked 114th out of 141 countries.

3.4 Limitations with Public Spending in Nigeria

Though the empirical studies cited above had mixed outcomes, the issues affecting public spending in Nigeria include the following:

i. Corruption: Corruption is a major challenge in Nigeria. Often, sums of money said to have been spent or allocated to specific projects may have in parts or wholly been looted or diverted away from the project. Since the actual amount spent for actual work may not be known, the data on record as budgetary provision or release becomes unreliable for analysis. This is a challenge. For instance, in the Premium Times of July 22, 2022, there was a report of a former Accountant General of the Federation, accused of stealing or diverting one hundred and nine billion naira (₦109 billion). When President Buhari came into power in 2015, one Sambo Dasuki, former National Security Adviser to President Jonathan, was accused of diverting ₦2.4 billion meant for arms procurement. It was a huge matter on the news media, especially newspapers. Where is that sum now, after eight years? Your guess is as good as mine. Colonel Dasuki was released from detention on the 14th of July, 2019. In any case, N2.4 billion pales into insignificance when compared with N109 billion allegedly, collected by Ahmed, the Accountant General of the Federation under President Buhari.

These examples are not isolated cases; Abacha loot in recent times has been a regular refrain. About 3.65 billion dollars was recovered from Abacha (nairaland.com, retrieved 25/8/22; Ameh, 2022). In 2016, David Cameroon of Britain described Nigeria as a *fantastically corrupt nation* (Premium Times, May 11, 2016). These are the figures analysable as public spending in Nigeria.

ii. Data Inadequacies: The paucity of quality and reliable data also exists (Otto & Ukpere, 2013). Some of the figures that are churned out as statistics, actually need to be verified. Some of the bandied data may be understated, overstated or tainted with political consideration. This is very likely for unemployment data (see Table 6), inflation and projects executed. There is need for independent data banks that will work side by side with public data banks like the National Bureau of Statistics and Central Bank of Nigeria, as competitors in the storage and dissemination of data space. This could be at national or sub-national levels. With inadequate or incorrect data, planning is a huge challenge. Apart from public spending, investors are unable to forecast and build trajectories that can affect their businesses. This is a massive challenge affecting the economy and discouraging foreign investments into the economy.

Table 6: Nigeria Unemployment Rate

Year	Unemployment Rate (%)	Annual Change
2021	9.79%	0.07%
2020	9.71%	1.18%
2019	8.53%	0.07%
2018	8.46%	0.07%
2017	8.39%	1.33%
2016	7.06%	2.75%
2015	4.31%	-0.25%
2014	4.56%	0.86%
2013	3.70%	-0.04%
2012	3.74%	-0.03%

Table 6: Nigeria Unemployment Rate

Year	Unemployment Rate (%)	Annual Change
2011	3.77%	-0.01%
2010	3.78%	-0.02%
2009	3.80%	-0.02%
2008	3.82%	-0.02%
2007	3.84%	-0.02%
2006	3.86%	-0.02%
2005	3.87%	0.00%
2004	3.88%	-0.02%
2003	3.90%	0.02%
2002	3.88%	-0.05%
2001	3.94%	-0.02%
2000	3.95%	-0.04%
1999	3.99%	-0.01%
1998	4.00%	-0.02%
1997	4.02%	-0.01%
1996	4.03%	-0.03%
1995	4.06%	-0.02%
1994	4.09%	-0.02%

Table 6: Nigeria Unemployment Rate		
Year	**Unemployment Rate (%)**	**Annual Change**
1993	4.10%	0.01%
1992	4.09%	-0.03%
1991	4.12%	-0.03%

Source: World Bank, 2022

iii. Frail Institutions: In Nigeria, public institutions are weak and rarely independent of their leaders or external influences. These can lead to abuse of power. Therefore, public spending meant to achieve specific objectives may be redirected to something else. Where there is a preponderance of such abuses, outcomes may be different from the original intentions. Evidence of frail institutions in Nigeria abound. For instance, in local government elections, candidates of the party in which the Governor has interest must win all or significant number of seats as chairmen and councilors, whereas the objective of public spending there, was free and fair election on basis of neutrality. In offices, organizations and in our communities, such abuses exist. In the courts, minor cases could go on for years, while the accused, sometimes innocent, suffers in prison cells. One example is the killing of Ken Saro-Wiwa in 1995, which attracted the condemnation of the international community.

iv. Penchant for Foreign Goods: Many Nigerians have a penchant for foreign goods and continually make demand for exotic items. This drains scarce foreign exchange and ensures that the multiplier impact of the demand is located in places where these goods were created. Very unfortunately, the Nigerian government is complicit here. This huge foreign demand for consumption goods is shown in the 4th Quarter Report of 2021, released in March, 2022 The report shows that total imports into the country were 9.16% - raw materials, 0.5% - solid minerals, 11.23% - agricultural goods, while 50.5% were finished goods (i.e. fully manufactured consumer items). These imports include refined petroleum, cars, food and phones. These imports grew the economies of China, Netherlands, United States, India, Belgium, and United Kingdom among others, further worsening local unemployment.

v. Technological Constraints: Technological constraints in the country necessitate that public spending on technological related items will be directed to producers of such items. So, budgeted sums for technological components for the 2023 elections by the Independent National Electoral Commission (INEC) beyond the few produced in Nigeria, only enriched countries that produced the items. While the data may show the sums as spending in Nigeria, actual multiplier effect occurred in some other countries. The 2023 election required 200,000 electronic voting machines and bimodal voter accreditation system (BVAS) which American, British and Chinese manufacturers bided for in 2021 (Oyetunji, Abioye & Tunde, 2021).

vi. The Dutch Disease Mentality

Post 1970s, a new mentality has increasingly been observed in Nigeria, a situation where the emergence of crude oil fortunes has discouraged the growth of other sectors. There is excessive focus on petroleum profits, which is produced largely by the international oil companies (non-Nigerians), with foreign technology and largely foreign capital at the expense of agriculture. This mono-cultural dependence on petroleum rents which has crowded out efforts to grow other sectors is a form of Dutch disease, which is debilitating to the health of the economy. Unfortunately, since 1972 till date every national budget in Nigeria has been predicated on projected oil price and output as benchmark. Now instead of efforts to create wealth, the focus has been on 'sharing of wealth'. At the end of every month, the 36 commissioners of finance from the 36 states of the federation meet with the minister of finance to share what has been paid into the federation account using criteria, formulated by the Revenue Mobilization and Fiscal Commission and in accordance with the Constitution of the Federal Republic of Nigeria (CFRN, 1999). And in many cases, people are willing to hold the system hostage if the sharing is not in their favour in spite of the fact, that they had no place in its production. So, the idea of investing capital to grow output and employing factors from public spending envisaged in the Keynesian theory finds no or limited application here.

vii. Reward System

The reward system is increasingly working against merit and genuine contribution to society. Sincere civil servants now look like endangered species. The reward system has projected politicking with its winner takes all philosophy to a point where it is a ‘do’ or ‘die’ activity. How else does one justify, life pensions for an officer who spends a maximum of eight years in office, goes home with humongous severance package, and other allowances that are sufficient to retain thousands of workers in employment on monthly basis but still expects a life pension? At the same time, other people sometimes, better qualified who have put in decades of years in service retire with paltry sums and sometimes, these poor dues in terms of gratuity or pensions are not paid on time. This is the reality in Nigeria, painful as it is, those in power orchestrating this, insist on remaining there by whatever means possible in spite of deafening complaints. This is not how a market economy works. This needs to change.

viii. Leadership Failures

Nigeria seems to have been unlucky with leadership, at least relative to countries like China, Singapore, Malaysia or India among others, who were able to pilot their countries efficiently. In Nigeria, current democracy is akin to kakistocracy, there is need for competent, efficient and foresighted leaders who can appreciate policy advice. For example, for a long time, the country has been importing petroleum products, when it could have encouraged the establishment of private refineries in Nigeria, as it became clear that the Nigerian National Petroleum Public Limited Liability Company (NNPPLC) is unable or unwilling to profitably run its refineries. Decisions are often taken with political considerations in view. Hence, absurdities may be tolerated if it promises electoral fortunes. This explains why President Goodluck Jonathan recommended a political reform that will provide for only one term of six years in office, for state governors and the president.

The federal government between 2015 and 2023 did not give the impression they were ready with solutions; it complained when crude oil prices were low and attributed all its inadequacies to low petroleum prices. It queried why there was low savings when petroleum prices were high. Later when petroleum prices rose, the government also complained that high petroleum prices were a problem needing huge petroleum subsidies. The prices of goods in local markets rose astronomically. For instance, a bag of rice rose from ₦7, 500 to ₦45,000, exchange rate of ₦150: $1.00 rose to ₦800: $1, a litre of premium motor spirit (PMS) rose from N87.00 to ₦280, kerosene from ₦150 to ₦900. Jet fuel was difficult to access and when available was very expensive. These are just few examples, meanwhile, the economy accumulated a huge debt profile, ending up with about ₦87 trillion debt, inclusive of 22 trillion in ways and means, within the eight years tenure from a debt profile as low as ₦7 trillion inherited from the previous governments (Ahmed, 2022). University students were away from school for eight months due to industrial unrest in the universities until the industrial court ruled on the suspension of the strike (Falana, 2022). So, while other economies are on the upward spiral, Nigeria seems to be on the reverse gear. What was more puzzling, was how a country replaced a doctorate degree holder who was leading fairly well with someone who could not show a hard copy of his secondary school certificate or evidence of successful leadership anywhere. This is kakistocratic conduct.

ix. Health, Education, and Political Tourism

The effect of bad leadership has had implication on health and education in Nigeria to the extent that politicians and wealthy Nigerians shun such services in Nigeria in preference for foreign providers of such services. Huge amounts are spent annually for foreign education and health. A new addition that gained traction is the frequent meetings of Nigerian political gladiators in foreign countries to discuss local issues, when all of them are resident in Nigeria. These meetings are at the expense of huge scarce foreign exchange and workers who may not be paid their wages (Iroanusi, 2022). These huge expenses are part of the public spending statistics, but they largely generate welfare in foreign lands and create liabilities to Nigeria, particularly the states of the governors involved.

4.0 Conclusion

Many of my empirical studies show that public spending in Nigeria engineer development, though the effects vary. In some studies, the impact of public spending is positive and significant. In other studies, the role of public spending is not significant and in some studies, the expected outcomes fail to be realized. In Nigeria, many factors weaken the effect of public spending. These include institutional frailty, technological constraints, corruption, infrastructural limitations, leadership deficiency and other rigidities. Because these challenges are not rigid over time, space and sectors, the efficacy of public spending in engineering development may vary across time, sector and region, where such spending is applied. Therefore, it is safe to conclude that economic theories work under given conditions. If a theory is applied in an inappropriate setting, where the expected conditions underlying the theory are non-existent, the expected results may not be significantly realized. This explains why a particular theory will be successful in one country or region but fail to apply in another, may be successful at some time but fail at some other time.

Economists will need to study an environment and the dominant tendencies before recommending an economic policy; instead of just borrowing willy-nilly from the experiences of other countries that may have different tendencies, levels of development, culture, operational environments and ethos.

4.1 Recommendations

To optimise the efficiency of public spending in the Nigerian economy, the following recommendations are appropriate:

1. Government should encourage private data banks, which may operate alongside the National Bureau of Statistics, Central Bank of Nigeria and similar institutions. These banks will enhance data availability and because they are independent of government, they are likely to have data that are not tainted with political considerations. With high quality data, policy prescription is likely to respond better than policies based on doubtful data.
2. Government should allocate more spending into health and education sub-sectors. This will reduce the huge sums

expended to access health and education in foreign countries including negative unforeseen circumstances. Nigeria needs to build our own social infrastructure for ourselves and for our future generations. With quality education and health, an economy (other things being equal), is likely to have enhanced skills. This will lead to greater public revenue through taxation. The increased revenue from taxation will then be a pool of resources for further public spending with the consequent expansion in welfare.

3. There is need for justice at every level. Those who break the law should be duly punished in accordance with the law. However, our law makers need to review laws to discourage custodial sentences for minor offences and in their places introduce heavy fines, which should be used to run correctional centres. This will reduce the cost of feeding rising number of prisoners in Nigeria, who are in prison for minor offences, resolvable through fines or community service. Incarcerating people for minor offences may end up hardening them. Those who were employed, prior sentence will lose their employment and on release from jail, may find it difficult to adjust. At the rate Nigeria is going, if there is no reform to reduce custodial sentences, prison congestion will be challenge. The speed of justice delivery also should be enhanced.

In the same vein, those who do well should be rewarded accordingly. Income should accrue to people as a function of their qualification, experience and associated risk of work. There is no reason to justify the humongous allowances, packages and pensions that ex-governors, some of whom are still serving in other capacities receive while Nigerians who have served the government for thirty-five years and over cannot be paid pensions. More so, there is a large army of unemployed youth idling away in the economy with potentials that need to be tapped to drive economic growth. This is not justice, but a recipe for insecurity.

4. Lastly, there is need for the University to set up a Centre for Economic Policy and Taxation. This Centre can enhance research on appropriate economic policies suitable for the Nigerian economy, including efficient tax policies that will generate more revenue without hurting productivity and economic growth.

4.2 Final Remarks

Vice-Chancellor Sir, ladies and gentlemen, I have come to the conclusion that human development may be defined as:

> Significant advancement of a socio-economic environment in different fronts, which must include mental and physical capacity, output, equity and a culture of productivity; ultimately leading to enhanced satisfaction of the populace.

Human development can be achieved through fitting policies that are attuned to that specific economy. Hence, background knowledge of the local conditions and ethos where policy is to be applied is essential for enhanced efficacy of that economic policy. Economic policies in Nigeria need to take cognizance of local conditions. Public spending could engineer economic development in Nigeria if certain factors are removed. For now, the effect of the policy is often attenuated by intervening variables.

Thank you so kindly for your audience and God bless.

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APPENDICES

Appendix 1: Nigeria Inflation Rate - Historical Data		
Year	**Inflation Rate (%)**	**Annual Change**
2021	16.95%	3.71%
2020	13.25%	1.85%
2019	11.40%	-0.70%
2018	12.09%	-4.43%
2017	16.52%	0.85%
2016	15.68%	6.67%
2015	9.01%	0.95%
2014	8.06%	-0.41%
2013	8.48%	-3.74%
2012	12.22%	1.38%
2011	10.84%	-2.88%
2010	13.72%	1.17%
2009	12.56%	0.97%
2008	11.58%	6.19%
2007	5.39%	-2.84%
2006	8.23%	-9.64%

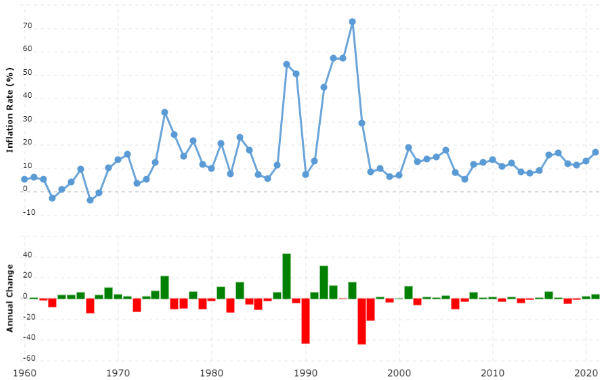
Appendix 1: Nigeria Inflation Rate - Historical Data		
Year	**Inflation Rate (%)**	**Annual Change**
2005	17.86%	2.87%
2004	15.00%	0.97%
2003	14.03%	1.16%
2002	12.88%	-6.00%
2001	18.87%	11.94%
2000	6.93%	0.31%
1999	6.62%	-3.38%
1998	10.00%	1.47%
1997	8.53%	-20.74%
1996	29.27%	-43.57%
1995	72.84%	15.80%
1994	57.03%	-0.13%
1993	57.17%	12.58%
1992	44.59%	31.58%
1991	13.01%	5.64%
1990	7.36%	-43.10%
1989	50.47%	-4.04%

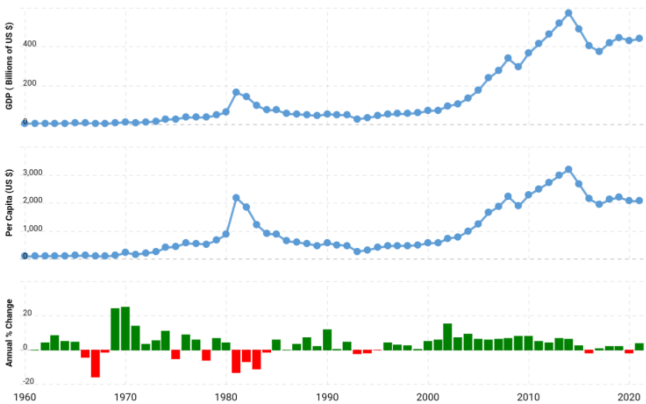
Appendix 1: Nigeria Inflation Rate - Historical Data		
Year	**Inflation Rate (%)**	**Annual Change**
1988	54.51%	43.22%
1987	11.29%	5.57%
1986	5.72%	-1.72%
1985	7.44%	-10.39%
1984	17.82%	-5.39%
1983	23.21%	15.51%
1982	7.70%	-13.12%
1981	20.81%	10.84%
1980	9.97%	-1.74%
1979	11.71%	-10.00%
1978	21.71%	6.62%
1977	15.09%	-9.21%
1976	24.30%	-9.66%
1975	33.96%	21.29%
1974	12.67%	7.27%
1973	5.40%	1.95%
1972	3.46%	-12.54%

Appendix 1: Nigeria Inflation Rate - Historical Data		
Year	**Inflation Rate (%)**	**Annual Change**
1971	16.00%	2.24%
1970	13.76%	3.60%
1969	10.16%	10.63%
1968	-0.48%	3.25%
1967	-3.73%	-13.42%
1966	9.69%	5.59%
1965	4.10%	3.25%
1964	0.86%	3.55%
1963	-2.69%	-7.96%
1962	5.27%	-1.01%
1961	6.28%	0.83%
1960	5.44%	0.83%

Source: World Bank, 2022

Appendix 2: General Government Final Consumption Expenditure (% of GDP)





Source: World Bank, 2022

Appendix 3: Nigeria GDP - Historical Data			
Year	**GDP**	**Per Capita**	**Growth**
2021	$440.83B	$2,066	3.65%
2020	$432.20B	$2,075	-1.79%
2019	$448.12B	$2,204	2.21%
2018	$421.74B	$2,126	1.92%
2017	$375.75B	$1,942	0.81%
2016	$404.65B	$2,145	-1.62%
2015	$493.03B	$2,680	2.65%
2014	$574.18B	$3,201	6.31%
2013	$520.12B	$2,977	6.67%
2012	$463.97B	$2,728	4.23%
2011	$414.47B	$2,505	5.31%
2010	$366.99B	$2,280	8.01%
2009	$295.01B	$1,884	8.04%
2008	$339.48B	$2,228	6.76%
2007	$278.26B	$1,876	6.59%
2006	$238.45B	$1,652	6.06%

Appendix 3: Nigeria GDP - Historical Data			
Year	**GDP**	**Per Capita**	**Growth**
2005	$175.67B	$1,250	6.44%
2004	$135.76B	$993	9.25%
2003	$104.74B	$787	7.35%
2002	$95.05B	$734	15.33%
2001	$72.80B	$577	5.92%
2000	$69.45B	$565	5.02%
1999	$59.37B	$496	0.58%
1998	$54.60B	$468	2.58%
1997	$54.46B	$479	2.94%
1996	$51.08B	$460	4.20%
1995	$44.06B	$407	-0.07%
1994	$33.83B	$321	-1.81%
1993	$27.75B	$270	-2.04%
1992	$47.79B	$477	4.63%
1991	$49.12B	$503	0.36%
1990	$54.04B	$568	11.78%

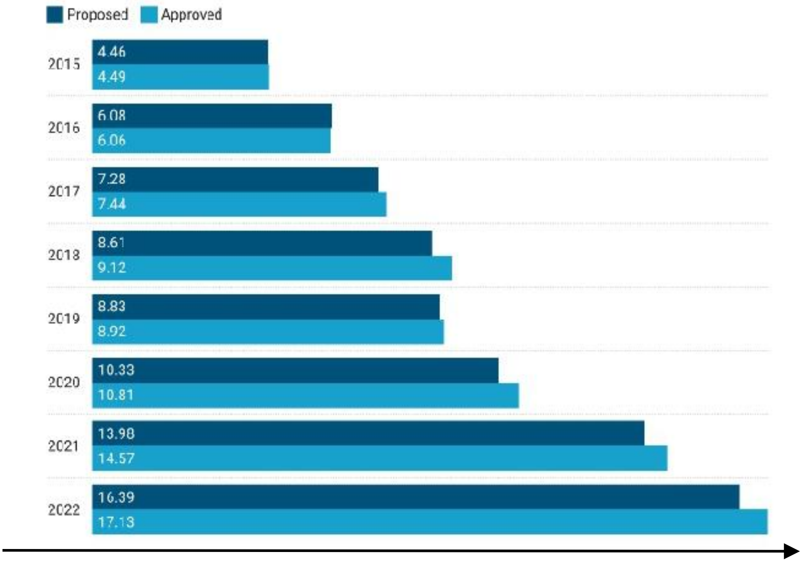
Appendix 3: Nigeria GDP - Historical Data			
Year	**GDP**	**Per Capita**	**Growth**
1989	$44.00B	$474	1.92%
1988	$49.65B	$550	7.33%
1987	$52.68B	$598	3.20%
1986	$54.81B	$639	0.06%
1985	$73.75B	$882	5.91%
1984	$73.48B	$903	-1.12%
1983	$97.09B	$1,224	-10.92%
1982	$142.77B	$1,845	-6.80%
1981	$164.48B	$2,188	-13.13%
1980	$64.20B	$880	4.20%
1979	$47.26B	$668	6.76%
1978	$36.53B	$532	-5.76%
1977	$36.04B	$541	6.02%
1976	$36.31B	$562	9.04%
1975	$27.78B	$442	-5.23%
1974	$24.85B	$406	11.16%

Appendix 3: Nigeria GDP - Historical Data			
Year	**GDP**	**Per Capita**	**Growth**
1973	$15.16B	$254	5.39%
1972	$12.27B	$211	3.36%
1971	$9.18B	$162	14.24%
1970	$12.55B	$226	25.01%
1969	$6.63B	$122	24.20%
1968	$5.20B	$98	-1.25%
1967	$5.20B	$100	-15.74%
1966	$6.37B	$125	-4.25%
1965	$5.87B	$118	4.89%
1964	$5.55B	$114	4.95%
1963	$5.17B	$108	8.58%
1962	$4.91B	$105	4.10%
1961	$4.47B	$97	0.19%
1960	$4.20B	$93	%

Source: World Bank, 2022

Appendix 4

Nigeria's National Budgets: 2015-2022



Source: https://www.dataphyte.com (retrieved on 05/03/2024)

Appendix 5

Nigeria National Budgets: 2015 -2024

Year	Amount (Trillion Naira)
2015	4.4
2016	6.06
2017	7.4
2018	9.12
2019	8.9
2020	10.8
2021	13.08
2022	17.32
2023	21.83
2024	28.8

Source: Budget Office of the Federation
https//wwwbudgetoffice.gov.ng (Retrieved 05/03/2024)

CITATION

PROFESSOR GODLY OTTO

B.Sc., M.Sc.(UPH), Ph.D (Nigeria), MNES, FSIHD, FCE

Godly Otto is the fifth of six surviving children of late Pa Michael Edward Otto, formerly of the Rivers State Scholarship Board. Godly attended State (Municipal Council) School, Bernard Carr Street, Port Harcourt from 1970-1975 and Government Comprehensive Secondary School, Borokiri, Port Harcourt (September, 1975 – July, 1980). In August 1980, he was employed at the Leventis Stores, Port Harcourt and later at the IMNL (now UPS) Port Harcourt Branch between, from April, 1982 to October, 1983.

In October 1983, he was admitted to study Economics at the University of Port Harcourt. He graduated in 1987 and went to serve in the then Bendel State, Nigeria, for his mandatory National Youth Service. In October 1988, he returned to the Department of Economics, University of Port Harcourt for a

Masters' degree programme, which he successfully completed . He later obtained a Ph.D with specialization in Economics of Development and Planning in 2006 from the University of Nigeria.

In 1989, he was employed in the Uniport Investments where he served in various capacities till 1998 when he was transferred to the Academic Planning Unit of the Vice-Chancellor's Office as a Planning Officer. He served in the Unit, rising to the position of Chief Academic Planning Officer before, transferring his Services to the Department of Economics, as Lecturer 1 in 2007. Before the transfer, he lectured on part time at various places and had fourteen publications. He grew at the Department of Economics, through the ranks to become a Professor of Development Economics with effect from 2017.

Professor Otto is currently the Chairman, Rivers State Chapter, Nigerian Economic Society (NES) and Immediate Past Chairman, South-South, NES. He is currently, a member of the National Working Committee (NWC) responsible for planning the 2024 NES National Conference. He is Chairman, Comprehensive Old Boys Association (COBA), Uniport Zone.

As a lecturer, he has contributed to the building of human capital globally and his works are frequently cited across the globe. He has also received a number of awards and prizes. He had served as adjunct lecturer at the Rivers State University. Professor Otto has also been External Examiner at the Rivers State Government owned Ignatius Ajuru University of Education, and University of Calabar, among others. He has served as a resource person in economics at local, national and international levels. To his credit, he has supervised the projects of hundreds of undergraduate students, the M.Sc. research of 83 students and 27 doctoral theses. He has one hundred and twenty publications and research output including 5 books, 85 journal papers, 18 conference papers (published and unpublished), 9 chapters in books and 3 monographs to his name.

He had served in several Boards and Committees. He is currently the Chairman, Departmental Graduate Committee in Economics, Uniport. He was Head of Department from 2017 to 2019. He was Chairman, University of Port Harcourt Demonstration Primary School Parents-Teachers Association (2007-2010). He is a member of the University Senate and was the Senate Representative at the Governing Board of the University College of Continuing Education (2013-2017), Faculty of Social Sciences Representative to the same Board (2010-2012) and member, Board of Governors, Uniport Demonstration Primary School (2007-2010). He was also elected on Tuesday, 7th February, 2017 as a Representative of Congregation into the University Development Committee with effect from 7th February 2017 to 6th February 2019. He is a member of several professional bodies.

At the Department of Economics, he has served as member or chairman of several committees including Accreditation, Time-table, Examination, Conference planning and Send forth Planning programmes. He was editor to the Departmental Journal as well editor of the South-South Economic

Conference Book of Readings in 2017. He also was co-editor to the South-South Economic Conference at Niger Delta University (NDU) in 2019. He was the Faculty Time-table Officer and Chairman, Faculty Time-table Committee (2009-2013).

Professor Otto is married to Dr. (Mrs.) Dorcas D. Otto, the immediate past Registrar of the University of Port Harcourt, and they have four children

Professor Owunari A. Georgewill,
Vice- Chancellor