

PUBLIC PROVISION VERSUS PUBLIC PRODUCTION OF GOODS AND SERVICES IN NIGERIA: A CRITICAL ANALYSIS

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ABSTRACT:

The paper sets to take a critical overview on the provision and production of public goods and services in Nigeria, Theoretical foundations were taken from two popular theories of public finance relating to the production of public goods and services, they are Paul Samuelson's pure theory and Dalton's theory of maximum social advantage no statistical methods were applied but a functional relationship was established between the sustainable provision/production of public goods and services and the economic growth of the nation, Nigeria was found to be sufficient in legal, , constitutional and institutional frameworks for the production of public goods and services but poor in understanding the functional relationship between the production and provision of public goods and services and economic growth.*

INTRODUCTION

The right of citizenship (whether by birth or by mere residence), confers on the individuals of every given society, the inalienable right for the consumption of certain goods and services 'without let or hindrance.

These goods and services are provided (at no profit) to all members of the society mainly by the government and sometimes by private individuals or non-profit organizations by the nature of these goods and services, they are mainly socio-economic products that are consumed collectively and non-excludable; thus, their production and or provision are usually backed by National laws and statutes as it forms principal part of the objective of government all over the world irrespective of the political or economic system in operation.

Also the extent of availability and quality of these products have become key aspects of the criteria for measuring the impact of governance and assessing or classifying nations of the World into developed, underdeveloped or developing categories.

To underscore their importance in the overall wellbeing of their citizenry, governments at all levels do entrench serious measures to ensure that no individual is exploited or denied access to these products, hence public sector institutions are established to supervise, regulate and superintend over the provision, production and sustainable use of these goods and services.

At the global level, the United Nations Organisation (UNO) recognizes the importance of the availability and sustainability of these products to human life and has created Agencies that assists poor nations in the provision/production of these products in the right qualities.

In addition to this, the rights to these products are entrenched in some of the UN Charter on human right.

In this paper, we shall explore the provision and production of these goods and services in Nigeria.

Our analysis is expected to reveal the extent to which they have been produced/provided and the implication of their availability or otherwise to the wellbeing of the citizenry and the overall National Development.

CONCEPTUAL OVERVIEW:

Economists, from the classical period had proffered reasons why the government should play some indispensable roles in the economy of nations.

Apart from being an element of the economy, the government sector plays a special role in achieving the macro-economic objectives of price stability, full employment, economic growth, favourable balance of payment and equitable distribution of income and wealth.

This role becomes more obvious due to the possible failure of the market mechanism in providing beneficial results; thus there are some goods that are indispensable in the achievement of the macro-economic objectives of the society but cannot be produced by free operation of the pure market system. Hence there is always the need for government intervention in the provision and or production of these public goods and services.

Adam Smith in Gbosi (2002:16) has identified four key areas of government intervention which he described as the operational functions to include: the provision of National Defense, the administration of justice, the provision of social goods and the financing function.

Going further, Gbosi (2002) opined that perhaps the most important of these functions is the one that relates to the provision of social goods.

This corresponds to the social objective of government which is key in ensuring a level of social wellbeing that benefits the living standard of its citizens.

Recognizing the fact that certain public goods such as roads, bridges, rail lines, airports and harbours, healthy environment etc. could not be produced by the private sector without profitable motives, J.S. Mill in his principles of political economy suggests that government should take it upon itself to produce these goods.

Again, He justified the failure of the market mechanism to optimally allocate society's resources as the basis for government involvement in the provision and production of these public goods and services.

Doe and Fredshler (1997) in Gbosi (2002) have described public goods as those possessing the following basic characteristics:

- Non-exemplarity, non-rivalry and non-exclusivity in consumption. By implication, they are collectively and unilaterally consumed and their consumption by one individual does not reduce the amount available to others.
- There is no quid-pro-quo relationship between the citizen's contribution to the production of these goods and its provision (availability).

- The production/provision of these -goods by the government remains the only way through which the problem of externalities (free rider problems) occasioned by market failures could be solved.

A conceptual framework could therefore be established of the functional relationship between the provision and production of public goods and economic development in the sense that it is the aggregate supply (production/provision) that enhances the realization of the macro-economic objective of government which culminates in economic growth which is seen in the quality of life of the citizens.

Thus we can comfortably state the relational function between public goods services and economic growth thus:

Economic growth is a function of the provision and production of public goods and services.

$$EG = (Pvs, Pgs)$$

where: EG = economic growth, PV =provision or availability of Pgs = public goods and services

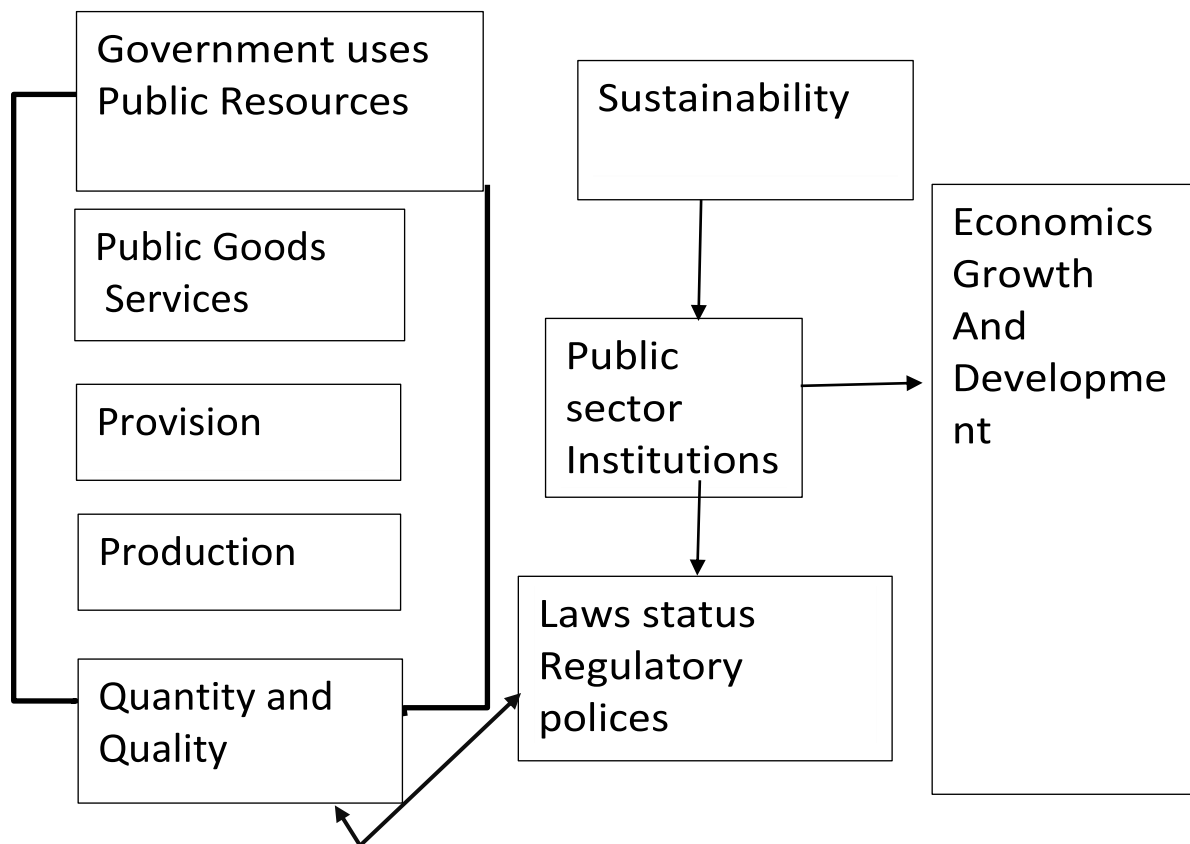


Fig. 1 Conceptual framework of the relationship between public goods provision and production and economic growth and development.

From this conceptual model, it could be deduced that National Economic Growth and Development could only result when public goods and services are provided and produced at right quality and quantity sustainably over time under the influence

of public sector institutions' backed by enabling- laws, statutes, policies and regulations.

By implication therefore, it could be advised that nations that have attained remarkable levels of economic growth and development must have adopted the principle behind this model all things being equal.

THEORETICAL REVIEW

The provision and or production of public goods and services is a sub-theme in public finance-aspect of economics that examines aggregate income and expenditure of government and their impact on the overall wellbeing of the society and the economy in general.

Public expenditure gives rise to the provision and production of public goods and services which must culminate in appreciable socio-economic benefits or advantage to the beneficiaries of such public expenditure.

Economists and sociologists from the classical to the empiricist schools of thought have postulated theories aimed at explaining or justifying the relationship between expenditure on public goods and services and the socio-economic development of society.

This section will be explored on the framework of two theoretical foundations:- The pure theory, the theory of maximum social advantage theory.

Paul Samuelson's Pure Theory of Public Expenditure laid the foundation for subsequent explorations into the validity of the assumption that public expenditure should optimize the production and provision of public goods which the pure market mechanism cannot provide as a result of the nature and characteristics of these free-rider goods.

He was of the opinion that the optimal production of these goods and services by the government could be a way of influencing the aggregate supplies of private goods as the free market economy could take advantage of these goods in the satisfaction of their business objectives which is the production of private goods at a profit.

Again from this theory, a relationship could be deduced between the production or provision of public goods and services and the satisfaction of micro-economic objective of the economy thereby contributing towards the realization of the macro-economic objectives.

It is safe to say at this point that the provision and or production of public goods and services complements the production and provision of private goods.

Writing in the Journal of the History of Economic thought, Michael Pickhardt (2006:439-460), opined that public expenditure must culminate in the maximization of social advantage in form of the welfare of the members of the society.

This is in line with the postulations of the Dalton's maximum social advantage principle which is another popular theory of public expenditure.

Dalton's theory of maximum social advantage

The theory of maximum social advantage is the fundamental principle of public finance.

Prof. Piogu in Jhingan (2005:755) calls it the principle of maximum aggregate welfare. This principle states that public expenditure leads to economic welfare when such public expenditure (and taxation) is carried to that point where the benefit derived from the Marginal Utility (MU) of the expenditure is equal to the Marginal Disutility.

In other words, maximum social advantage or aggregate welfare is the result of the forces of increased public expenditure and decrease in the opposing forces of taxation which tend to decrease the benefits.

Thus, according to Jhingan (2005), social advantage is maximized when the benefits flowing from public expenditure are optimized.

From the analysis of this theory, it could deduce that public expenditure must have some utility values that are seen in the overall wellbeing of the people. This can only be achieved through the production and provision of public goods and services.

EMPIRICAL REVIEW AND CONCLUSION

Section 16 (1a-c) and 16 (2a-d) of the 1999 Constitution of the Federal Republic of Nigeria captures the Economic Objectives of the Government of Nigeria.

Of particular interest to the context of this paper is 16 (1b) which states as follows:

"The state shall within the context of the ideals and objectives for which provisions are made in this constitution, control the national Economy in such a manner as to secure maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity".

S(2b) also states that "The state shall direct its policy towards ensuring that the material resources of the nation are harnessed and distributed as best as possible to serve the common good".

Going further, S.18(1) captures the educational objective of government and states that "Government shall direct its policy towards ensuring that there are equal and adequate educational opportunities at all levels".

The essence, of this section is to prove that there is sufficient constitutional provision in support of the provision and production of public goods and services in Nigeria.

Further to these statutory provisions, there are adequate Institutional framework in Nigeria with varying Constitutional and or Statutory Mandates for the execution of the fundamental objectives and directive principles of state policy.

To underscore the importance of public goods and services, government at all levels in Nigeria does engage in and holds the responsibility of providing and producing these amenities through its Ministries, Departments and Agencies (MDAs).

Thus, there are public sector organizations responsible for the provision/production of all public goods and services in Nigeria-from Environmental Protection to Transportation, Road Construction to Public Power Supply Health Infrastructure to Communication and Education Development to Security and Defense.

Now having established that fact that there is sufficient Legal, Regulatory and Institutional framework for the provision and production of Public goods and services in Nigeria, there is an unending debate as to the adequacy and quality of the provision/supply of these goods compared to the ever increasing demand for them.

Nigeria is one of the nations of the world with a high rate of population growth, meaning that the demand for the consumption of public goods and service is always on the increase.

A gap will therefore arise between the demand and supply of public goods and service if they are not provided or produced in such a quantity and quality that is concurrent with the population growth rate. Again there would be serious strain on existing public infrastructure as a result of the consumption pressure. By way of empirical analysis, let us take a few public goods in Nigeria to evaluate how adequately they have been produced or provided.

Taking electricity supply as a typical example: Nigeria is endowed with large oil, gas, hydro and solar resources which could be harnessed to generate sufficient supply of power but the average daily production and supply of electricity in Nigeria is put at 4000 MW which is grossly insufficient to the daily demand of energy for all categories of consumers over an estimated population of 170,000,000 people.

The total installed capacity across the country is put at 12,552 MW per day, leaving a daily gap of 8,552 MW (12,552-4000). This calculation means that Millions of Nigerians are denied access to electricity. From this simple analysis, it could be seen at a glance that Nigeria is neither harnessing its energy resources efficiently nor is it producing the product called public power optimally.

To that effect, public expenditure on the production/provision of energy does not result in the maximization of the benefits of the consumption of this public good and hinders the realization* of the macro-economic objective of full employment.

Recently, private companies have been given the right to form consortia as energy producers and distributions via the privatization policy. This means sooner or later electricity may not be a public good in Nigeria as the non-excludability and non-rivalry features will be compromised.

Taking Health Care as another example of public good in Nigeria; It could be apt to state that this product is not adequately produced and or provided in Nigeria both in terms of infrastructure and equipment.

The effect is that only those who can afford to pay for it are enjoying the best quality of the good.

The fact to the insufficient supply of this public good is seen in non-functional health institutions, increasing levels of medical tourism and the migration of qualified health professionals to countries where their capacity can be sufficiently utilized. This results in both human and financial capital flight and demand-pulled foreign exchange scarcity.

The same applies to security and defense. The total staff strength of the Nigerian police is put at about 371,800 with current plans to recruit additional 280,000 to bring it to a total of 650,000 policemen in Nigeria.

Given a population figure of 170,000,000, we have a police to population ratio of 1 police man to 200,000 persons. In this case again the social, advantage of security as a public good cannot be maximized as public expenditure on this good does not result in the overall wellbeing of the people.

IMPLICATION OF THE STUDY

This paper have exposed the hypothesis that Nigerians poor level of economic growth and development largely stems from its inability to maximize the benefits of the provision and production of public goods for the. Realization its macro economic objectives.

Almost all of the public goods and services are insufficiently produced and scarcely provided.

Expenditure on public goods and services does not yield measurable utility values as their benefits are scarcely maximized.

There is a poor understanding of the importance of the relationship between public goods production and provision and economic growth.

CONCLUSION

From the concepts that formed the theoretical framework of this paper and the empirical analysis made therefrom, it could be safely concluded that Nigeria is not sustainably harnessing its resources for the production and provision of public goods.

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