

Economic Development Beyond Palliative: A Qualitative Analysis

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Abstract

The recent pronouncement by the Nigerian President Bola Ahmed Tinubu to distribute palliatives packages to the citizens in order to cushion the effect of oil subsidy removal generate greater concern. The pronouncement came amidst declined in the country's GDP to 2.51% in the second quarter of 2023 from 3.54% recorded in the same period of 2022. NBS (2023) opined that the 2023 GDP position was because of the performance of the service sector, which recorded a growth of 4.42% and contributed 58.42% to the aggregate GDP. It is widely believed by scholars' that, national development and growth depend largely on the level of economic activities undertaken by country's economic agents. The agents perform various economic activities in order to earn a living and channel their surplus resources into investable projects that will generate more resources for their future survival, national development and growth. Hence, any nation with a notion of subsidizing consumption rather than production is tantamount to subjecting her citizens to rent seeking, which will not assist in accelerating and motivating the production capacity of the citizens. Therefore, the decision to offer the palliatives will mean taken the Nigeria to the position of paying the oil subsidy regime. While in essence, the 2023 Appropriation Bill was pass into law the provision of the oil subsidy for only six (6) months that is from January to June 2023. In view of this rather than the present administration to offer palliatives packages, the government should have look at ways of diversifying the economic in such a way that all capable economic agents will became productive agents and contribute to both national and international markets. This will help Nigeria to have favourable foreign reserve balances, overcome negative balance of trade deficit and improve both local and global credit rating and worthiness.

Keywords: economic Development, Palliative, GDP, Economic agent, Oil subsidy

Introduction

Economic development is the function of quantum of economic activities undertaken by individuals within an economy. These individuals exchange goods and services in return for satisfaction and economic well-being (Muhammad, Muhammad & Rohaya, 2014). These activities enhance human well-being through advancement and innovation brought about by technology and industrialization (Boldeanu and Constantinescu, 2015; Zafer, 2014). While developed countries have higher Growth Domestic Product (GDP) per capita compared to developing countries. This is because the developed countries heavily depend on the activities performed by individual economic agent. The agents contribute to the economic by partaking in one economic activity or the other. This necessitates the need for an effective and efficient workforce that will foster competitive advantage among market participants (Sadaf, 2018). Nevertheless, for the workforce to contribute to the success of their organisation, they need a conducive working environment with a reasonable payment package that commensurate effort

However, amidst petroleum subsidy removal by the Nigerian government, the announcement by the government to give out palliative packages to certain group of the citizen seems to negate the motive behind the subsidy removal. Although, the need to cushion the negative effect of the hardship to millions of citizens is a welcome development, but such should be in the form of creating concrete economic activities. The activities should be such that will create and enhance productive capability of the citizens not to create consumption. That is, subsidy removal needs to stimulate the economy by allowing market forces to determine prices and drive economic growth and development. On ethical ground palliative has been considered a good practice and a program that shows care for all (Helen, Diana & Jean, 2020).

On the other hand, palliative inject liquid cash and boost consumption not investment for future economic gain and development. This may weaken the entrepreneurial spirit of the beneficiaries by making them as rent seekers than productive agent of the society (Sunusi, 2012). WHO (2021) advocates the use of palliative measures to restore both human body and mind by giving those in need all necessary support that will build their physical appearance. This does not depend on their status, level of well-being and resources availability, but with the aim of effective and efficient restoration of physical, psychological and social status. To achieve this there is need for multi-dimensional attitude that includes the society, community and resources.

Therefore, the announcement by government to distribute five hundred and seventy billion naira (₦570 billion) to only 12 million households might not solve to immediate hardship. This is because optimal utilization of the resources might be a problem and may fail to strike a balance between basic needs and long-term economic growth (Bello, 2023). Moreover, the growing number of people experiencing unnecessary hardship, which require palliative measures and they will continue to increase decade over decade. In 2020 WHO (2021) estimated that 56.8 million individuals require palliative care and severely increase in the next coming decades. Though funding continues to be the main constraint to the palliative measures by each government. Moreover, the output from the measures seems not to yield positive results on the development and growth of economic, through creation of sustainable economic activities. To this end, there is need for the Nigerian government to reconsider its decision by coming up with other developmental projects that will alleviate the effect of subsidy removal, than just palliative measures.

Concept overview

Economic development

Economic development is the process of enhancing well-being and quality of life of a nation, community, region, society or individuals using pre-determined objective. This will includes policies and programmes design to improve quality of life of all or group of citizens through the provision of quality life and education, employment opportunities and better infrastructure with increase income. To achieve this, there is need for innovative idea using modern technology and industrialization. Prabha (2020) defined economic development as structural transformation of an economy through mechanized and updated technologies to increase labour productivity, employment, incomes, and standard of living of citizens. While Maryann, Theodora, Tom, & Lauren (2015) sees economic development as the expansion of capacities that contribute to the advancement of society through the realization of the potentials of economic agents. That is the development is expected to bring a sustained increase in prosperity and quality of life of individual citizens through innovation with minimum transaction costs with the aim of producing of goods and services.

Consequently, economic development requires long-term investments in the generation, dissemination and absorption of new ideas, as well as infrastructure. Gordon (2010) argued that economic development requires collective action and large-scale investments with long time horizons in infrastructural projects. This will help to overcome increase poverty rate and greater inclusion of poor individuals to participate in developmental economic activities (DFID, No date). Mahatma Gandhi recognised this as the realization of human potentials (Michael & Stephen, 2012). Because they will create opportunity for human to attain economic and social equality, eliminate poverty, access universal education and enhances living standard, achieve national independence with modernized institutions, respect rule of law and due process. It will also increase human access to greater social

opportunities, political and economic participation, grassroots democracy, self-reliance and personal fulfilment, which will allow value judgments about what is good and desirable and what is not.

The concept of palliative

Collins dictionary defined palliative as an action that is intended to make the effects of a problem less severe but does not solve the problem. That is, palliative is a temporary mechanism to expedite an action to the betterment of affected person. Jason, Julian, Allan and Manjula (2021) asserted that palliative is a public concern with both structural and social factors that, which lead to inequalities with the aim of achieving equitable access to developmental programs and resources.

Government as an investor in capacity

Long-term investments by their require series of radical support which individuals on their own cannot be able to handle (Maryann, Theodora, Tom, & Lauren 2015). This is because most investors are risk might not have the needed capital that will sustain the huge capital outlay. This necessitate the need for direct government involvement in the provision of infrastructures and other capital-intensive project. The provision of which will create sustainable job security to its citizens. Block & Keller (2009) argued that, government had dominated almost all aspect of human capacity development with aid of technological policies and regulations. This make organizations to shift their developmental strategies from self-reliant to a more collaborative and alliance, which will give them lower resource investment in projects with greater returns. In support of this assertion, Cárdenas & Tuzemen (2010) asserted that, there is positive relationship between economic development and state's ability to control fiscal policy/capacity. Hence, government only invest if the benefit of collecting tax out weight it cost. That is,

individuals are able to reduce consumption and save income for investment opportunities (OECD, 2014).

Rationale for government investment in economic development

Government play a critical effort to the development of economy because traditionalist belief that without the private sector cannot sustained the demand of the population (Maryann, Theodora, Tom, & Lauren, 2015). Hall, Mairesse & Mohnen (2009) argued that returns on collective investment is higher than that of individual, so government need to invest heavily in research and development for the good of its citizens. As it will be easier and cheaply than for individual citizens to invest.

However, Salter and Martin (2001) observed government investment in research and development opens opportunity for additional wealth creation to its citizens in the long-term. The opportunity is such that will allow them explore complete on the global scene to in terms of skills acquisition, capacity development, social inclusiveness and experimentation and learning capable of addressing complex technology issues (Maryann, Theodora, Tom, & Lauren 2015).

Developmental indices

In 1990 an International Development Theorist and former Pakistani Finance Minister Mahbub Ul-Haq, lunched Human Development Index (HDI) to comprised three aspect health, knowledge and standard of living. The main objective of the HDI is to reemphasize the contribution economic agents can offer towards developmental projects of a nation. United Nations Development Programme (UNDP) 2011 report posit that the HDI attracted greater attention from all stakeholders. Ene (2020) asserted that HDI has become an important variable for assessing national growth and development. This is due to the direct relationship between national development and well-being of economic agents. Hence, societal

peaceful coexistence is the function of activities carried out by market participants (Adelakun, 2011).

Therefore, for an effective and efficient economic development, productive resources become a means to attain greater output, which need to be fully utilised for optimal capacity. This will help nations to increase the standard of living of their citizens and GDP in general (Stephan, 2018). He further summit that both the World Bank and the International Monetary Fund (IMF) keyed into the Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs), in order to develop greater human competency, capabilities and self-reliance citizen. The aim will be to help countries with poor debt rating to develop strategy for debt reduction/relief and associated poverty reduction strategy. Thus, it will be a mechanism for nation to improve the health care provision, the knowledge base, and the socio-economic status of their citizens. Ruby (2022) considered all them as crucial elements of human development that will ensure, foster and strengthen governance structure of a nation.

In view of the foregoing, it is imperative for the Nigerian government to revisit its decision on given out palliatives to some category of citizen in order to cushion the effect of oil subsidy removal. This is because the palliative will only accelerate consumption that will continue to weaken the productive capacity of the populace rather than motivating them to become productive agent and agile economic agent. Therefore, the government should explore means and strategy that will create employment opportunities to it teaming population capable of increasing the nation's GDP and its international trade potentials. This became necessary following the NBS's second quarter report of 2023, where GDP felt down by 29% compared to the 2022 indices. The reduction was coursed challenging economic condition being experienced in the Nigeria, where most individual were not able to continue their daily

business activities. Hence, the current hardship is mostly attributed oil subsidy removal, which create additional inflation and prices of majority products increases.

The issue now is that, most businesses were laid-off rendering individuals economic agents jobless and cannot contribute meaningfully toward national development. Now it is worthy to not that with the current hardship and economic situation, if care in not taken most business will continue to close down. Especially with the NBS's 2023 second quarter indices where most northern states continue to have unfavourable indications.

The challenge of achieving stronger economies

Different countries of the world faces a variety of constrains regarding economic development and growth. This has to do with rate developmental projects available in each countries. Although, some countries may share some problem in common due their relationship and level of social inclusion and socio economic and cultural awareness. Therefore, it would be unfair to conclude that all countries faces similar set of challenges hindering their ability to develop. However, the following are consider a general challenges faced by countries, which can occur to each country based on its level of developments (WTO 2019; Aisen & Veiga 2011; Mckibbin & Coxen, 2007):

Political instability was argued to be a severe disease affecting economic growth and development by squeezing horizons of policy makers and short changing macroeconomic policies. The implication of this might possibly create a volatile economic performance with uncertain politico-economic environment occasioned by raising risks and reducing investment and lower economic growth and development (Jong-a-Pin, 2009).

WTO (2019) posit that the reason for the failure of some African countries capabilities for

competitive market advantage; capable of driven greater economic development and growth was attributed to their inability to diversify production structure. This makes them unable to increase production that will positively increase GDP through the provision employment opportunities to their teaming population (IMF, 2014). Therefore, diversification of economic activities become necessary by countries who want to develop their economic. This will give them opportunities of favourable balance of trade. For instance despite the fact that the following countries Malaysia, Costa Rica and Chile were endowed with stable socio-economic and cultural structure, good infrastructure, efficient governance they all embrace diversification strategy (Gelb, 2010). This gives them opportunity to export services across country borders, establishing low-cost business and collection of various externalities. To overcome this, more awareness for more inclusion into the production arena needs to be emphasise (Sauvé, 2019; Lan & Shepherd, 2018).

However, according to Mckibbin & Coxen (2007) energy and environmental security emerged as a serious catastrophe towards achieving greater economic development. This is because industrial activities tends to pollute the environment due to high dependence on fossil oil green gas emission. US Energy Information Administration (EIA) forecasted global oil consumption to around 118 million barrels per day by 2023 from 98 million barrels per day in 2015. To address this issue, there is need for an effective implementation of environmental treaties among concern countries for effective national and international development and growth,

Maria-Luisa, et al (2007) opined that the inability of African countries to tackle controllable diseases significantly contribute to their inability to develop economic activities and ensure greater employment opportunities. This is because majority of the citizens spend most of their income on health facilities due to

poor government in the health sector. The former Mexican minister of health- Julio Frenk-asserted that about 175 million people across the world are impoverished. While the \$3.2 trillion estimated for global health, only 12 percent was spent in low- and middle-income countries that has almost 90% of the global disease incidents. Hence, for a better and economic participation by all productive agents, African government need to invest heavily into their health sector.

Conclusion

This is provide a theoretical assessment of the effect palliatives distribution will create within the context of Nigerian economy. The essence of the palliative is to reduce/cushion the effect of oil subsidy removal, which many stakeholders where agitating for its removal for the more than a decade. The palliative distribution according to some scholars will continue to create rent seeking among many Nigerians who would be capable of contributing to national economic development and growth. Although, the recent oil subsidy have put many Nigerian into unnecessary hardship, which result in many losing their jobs and continue to depend on others. However, the government still maintained it position and promised to provider greater opportunity in the future that will create more economic activities, so that all economic agent will fully engage and be productive.

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