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Rethinking Economic Growth and Development: A Pathway for Nigerian Economy

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Abstract
Economic growth and development is about improving people's lives through economic, social, political and technological changes. But unfortunately this objective is hardly met in Nigeria because the economy is constrained with so many problems such as high level of unemployment, poverty and inequality, infrastructural decay, corruptions, institutional failure among others. The paper adopted a theoretical approach in examining the issues raised there in. It is argued that the problems mentioned above constitute impediments and if they are not properly addressed then economic growth and development shall continue to remain a mirage. To overcome these constraints, therefore, the paper advocated for a paradigm shift from the orthodox theories to new approaches such as creation of knowledge economy, South – South Cooperation (SSC), building effective institutions, elimination of corruptions in public places. It is recommended that, in addition to adoption of the paradigm shifts, the Nigeria existing institutions should be more strengthened to curtail the dehydrated problem of corruption that permeates the social fabrics of the Nigeria society.
Keywords: Paradigm Shift, Institutions, South – South Cooperation, Open Development.

1. Introduction

Development is about improving people's lives through economic, social, political and technological changes. It is a transformation that certainly requires incomes to grow but also it is about reducing poverty and inequality, building individual skills, creating access to social services and raising the quality of life. Economic growth and development both depend on distributive policies – how society deals with vested interests and social conflicts. New priorities are emerging as development economics reviews its track record over the 20th century (Nallari, 2011). An economy can grow but it may not develop because poverty, unemployment, and inequalities may continue to persist due to the absence of technological and structural changes. Nigerian economy can be liken to this description; because it is characterized by these macroeconomic mishaps. With such features, one hardly reconcile the elegant statistics being reported yearly by CBN and National Bureau of Statistics on the performance of the economy. If economy is growing within the range of 6% to 7% of the GDP yearly, why do we still record high degree of poverty and unemployment in Nigeria today? This scenario is made clearer when the African Development Bank (AFDB) reported that the Nigerian economic growth in 2012 did not translate into job creation and poverty alleviation, adding that unemployment rose from 21% in 2010 to 24% in 2011 (Ogienagban, 2013). This has created a puzzle among the citizens especially those of the Economics profession and scholars.

Based on the above contention, this paper attempts to examine a re-think of new approach to growth and development in Nigeria and other developing economies. The paper is subdivided into five (5) sections with introduction as one. Section two dwells on conceptual and theoretical issues and three focuses on the problems of economic growth and development in Nigeria. Section four is on the paradigm shifts and five is the conclusion and policy options.

2. Conceptual and Theoretical Issues

Economic growth is often defined as the steady process by which the productive capacity of the economy is increased overtime to bring about rising levels of national income (gross national product or income). It is often measured by a percentage change in gross (or real) per capita national income (GNP) (Uwatt, 2003). The causes of economic growth include advancement in technology, international trade, human capital and education, foreign capital inflow and investment, sound macroeconomic policies and institutions, good governance, physical capital formation etc. Some studies also revealed the importance of leadership in achieving and sustaining growth. For instance Glaeser et al (2004) established that in the post – 1960 growth record, the impact of leaders has been huge and widely dispersed, implying that some leaders have been associated with rapid growth while others have not. They showed that good leaders accumulate capital, avoid wars, and are rewarded with longer tenure, particularly in countries with higher educational achievement. Using the Indian post – 1980 growth experience, Rodrick and Subramanian (2004) demonstrated the importance of the leadership's attitudinal disposition toward markets and business in influencing growth in a country context. Jones and Olken (2004), citing Easterly et al (1993), found robust empirical evidence that national leaders, particularly in autocratic settings, matter in explaining shifts in growth. They do so either directly, by influencing the policy environment, or indirectly, by shaping institutions (Ndulu, 2006a).

According to Haller (2012), Economic growth is, in a limited sense, an increase of the national income per capita, and it involves the analysis, especially in quantitative terms, of this process, with a focus on the functional relations between the endogenous variables; in a wider sense, it involves the increase of the GDP, GNP and NI. Therefore, the national wealth, include the production capacity, expressed in both absolute and relative size, per capita, encompassing also the structural modifications of the economy. It is the process of increasing the sizes of national economies, the macroeconomic indications, especially the GDP per capita. Economic growth is a complex, long-run phenomenon, subjected to constraints like excessive rise of population, limited resources, inadequate infrastructure, inefficient utilization of resources, excessive governmental intervention, institutional and cultural models that make the increase difficult etc. Economic growth is obtained by an efficient use of the available resources and by increasing the capacity of production of a country. Balcerowicz (2001) conceived the concept of economic growth as a process of quantitative, qualitative and structural changes, with a positive impact on the economy and on its population's standard of life, whose tendency follows a continuously ascendant trajectory.

There are situations when economic growth is confounded with economic fluctuations. The application of expansionist monetary and tax policies could lead to elimination of recessionary gaps and to increasing the GDP beyond its potential level. Friedmann (1972) saw growth as an expansion of the system in one or more dimensions without a change in its structure and development as an innovative process leading to the structural transformation of social system. It implies that an economy can grow and may not develop because poverty, unemployment and inequalities could continue to persist due to the absence of technological and structural changes.

Hence, economic development could constitute a holistic process whereby vulnerabilities are reduced and capacities are increased within societies. It encompasses the transformation of the economic state through the achievement of greater capacity to deal with the challenges of (i) production and its expansion; (ii) political administration and government; and (iii) organizing the civil society as a community of people (Onyekpe, 2004). Development concerns with not only man's material needs but also the improvement of the social conditions of the people. It involves quantitative and qualitative improvement in the quality of life of the people within an economy.

The principal goal of economic development policy is the creation of sustainable improvements in the quality of life of people in the society (World Bank, 2000). It is usually seen as a basic national objective. This is based on the fact that the fundamental reason for creating a nation-state is to improve the living conditions of the citizens of the state (Fajingbesi and Uga, 2003).

According to Obioma and Ozughalu (2004), economic development connotes structural transformational, advancing technology, sustainability and equity. It has three basic components or core values, namely: sustenance, self-esteem and freedom. Sustenance implies the ability to meet basic human needs such as food, sound health condition, shelter, sound education, clothing and protection. Self-esteem has to do with the need to be regarded as a person. It means a sense of worth and self-respect of not being used as tool by others to achieve their selfish objectives. Freedom has to do with the right to make choice. It implies emancipation from alienating material conditions of life and from servitude to nature, ignorance, other people, misery, institutions and dogmatic beliefs. It involves an expanded range of choices for societies and their members as well as a significant reduction of external constraints in the pursuit of some social goals (Todaro and Smith, 2003).

As Haller (2012) observed, no unanimously accepted definition has been gotten, most of the theoreticians think of the economic development as a process that generates economic and social, quantitative and, particularly, qualitative changes, which causes the national economy to cumulatively and sustainably increase its real national product. Jhingan (2006) also argued that economic development refers to the problems of underdeveloped countries and economic growth to those of developed countries. It implies that economic development includes the development of agriculture, industry, trade, transport, means of irrigation, power resources etc. Therefore, economic development can be construed as an attack on the chief evils of the world today: malnutrition, diseases, illiteracy, slums, unemployment and inequality (Streeten in Todaro and Smith, 2004). Based on the foregoing explanation, economic development entails developing the real income potentials of the under-developed areas by using investment to effect the changes; and to argument the productive resources which have promise to raise real income per person.

Over the past several decades, economic theories had espoused various systems of resource allocation, ranging from free market to state intervention and centrally-planned systems. The disintegration of the Soviet Union and various crises in other state controlled economies in the 1990s, prompted development thinkers to return to the *Washington Consensus* with its policies of economic liberalization, privatization and macroeconomic stabilization programs. This yielded mixed results and considerable controversy. A number of countries, however, had successfully applied mixed models of government intervention in otherwise fundamentally market-based systems of resource allocation. China's recent success is attributed to its embrace of certain features of the Washington consensus reinforced by constant experimentation (Nallari, 2011). Nigeria has experimented both state intervention and free market system, yet there is no light in the tunnel. All the models and policies applied in the Nigerian economy have not yielded positive results; rather, the ever existing socio-economic and political problems are on the increase.

The theoretical framework of this paper is the neo-classical growth model championed by Solow (1956) which predicated the assumptions of conditional convergence (Barro, 1991, Barro and Lee 1994; Sachs and Warner, 1997). According to the neo-classical growth model, economic converge to the steady state where the growth of the economies are determined only by total factor productivity (PFT) growth (Soludo and Kim, 2003). Provided economies converge to the same steady state, poorer economies should grow faster, which is called absolute convergence. Baumol (1986) provide evidence that there may have been absolute convergence among developed countries. However, convergence does not hold for broad ranges of countries, including many developing countries, whose steady states may be far away from those of developed countries.

Another issue is the model specification. The Solow neo-classical model uses a standard aggregate production function in which

$$Y = K^{\alpha}(AL)^{1-\alpha}$$

Where Y is the GDP, K is the stock of capital, L is labour, A represent productivity of labour or level of technical knowledge, α and $1 - \alpha$ are the parameter coefficients. In neo-classical parlance the change in GDP is caused by change(s) in all or either of the variables. In other words, growth is a function of these variables. However, it has been observed over the years that there are other extraneous factors other than these that affect economic growth especially in the developing economies which Nigerian is inclusive. For instance, institutional factors, corruption, and governance, are important variables that affect the performance of any economy. The problem is that of definition, data collection, methodology and identification of these variables (Ajayi, 2002) that need to be captured in the model. The difficulties involve in including these variables has made many scholars choose to ignore or underestimate their role in the process of growth. In view of this, therefore, there is need to have a rethink on the economic growth and development in Nigeria.

3. The Problems of Economic Growth and Development in Nigeria

Despite the application of various economic theories, policies and models in macroeconomic management in Nigeria, the issue of growth and development is still far from sight. This is because; its economy has been entangled with myriad of problems as analyzed herewith.

In Nigeria, there is the preponderance of high rate of unemployment amongst the adults and youths in the economy. This rate is on the increase as for instance, the unemployment rate rose from 12.3% in 2006 to 14.1% in 2008, 19.7% in 2009, 21.4% in 2010 and 23.9% in 2011 (Iwayemi, 2012). This growth in unemployment has negative consequences on economic growth and development in Nigeria. The logic is that unemployment leads to decrease in output and hence retarding economic growth. The decline in growth therefore, incapacitates development process.

There is the issue of the incidence of poverty and inequality. The incidence of poverty rose significantly in both absolute and relative terms. In 1980 only 17.1 million Nigerians were poor but the number has increased progressively over the years as for instance, the Nigerian population in poverty was 67.1 million in 1996, 68.7 million in 2004, and 112.47 million in 2010 (Iwayemi, 2012). Going by this statistics, it shows that more than half of the Nigerian populations are living in poverty. The paradox of this is that the economy is growing by the official statistics of CBN and NBS. The implication of the paradox is the skewed nature of the income distribution that favour a few in the society. Therefore, inequality in income distribution can distort both growth and development in any society.

There is the problem of infrastructural decay in the Nigeria economy. The economy is faced with multi-faceted problems of infrastructural decay such as epileptic power supply, deterioration of feeder roads, school facilities at all level, health facilities, portable water etc. Since these facilities are dysfunctional, this has caused negative effects on growth and development in Nigeria.

The issue of corruption in high places equally affects growth and development of the economy. Corruption has been identified to be one of the top constraints to economic growth and development in Nigeria. Bribes, kick backs, inflated contracts by rent seekers are common features of public sector spending over the years especially since the advent of oil to date. Politicians, bureaucrats, businessmen and their collaborators embezzle, steal and corruptly enrich themselves from public spending thereby denying the country from being where it should be in the development ladder (Iwayemi, 2012). The corrupt tendencies in public sector of the economy have had its negative tone on the growth and development process of the country. The resources allocated to the short term, medium term and perspective plans of the economy were mostly diverted into private pockets of the political, bureaucratic elites and their collaborators. That explains the basis for the existence of many abandoned infrastructural projects that litters the nook and cranny of Nigeria today.

There is insecurity problem in Nigeria. Businesses or investments can thrive only in conflict-free environment. Conflicts affect the economy through reduced investment in both physical and human capital, as well as through the destruction of existing assets, including institutional capacity, and these are reflected in reduced economic growth (Ndulu et al, 2007). Statistics have shown that countries that experienced a civil war had an average income of 50% lower than countries that did not experience a conflict, and this is captured in investment ratios for both physical and human capital that were 50% lower in conflict countries. Nigeria, today is confronted with insecurity or conflicts across all the geo-political zones for instance, Boko Haram insurgents in the North-East, North-West and other parts of the country, Kidnappings in the East and South-South, ethnic conflicts in the North Central, Niger-Delta militants and oil theft in the South-South, and pockets of conflicts in the South-West. All these have profound negative effects on growth and development in Nigeria.

There has been a near collapse of institutions. Institutions are the formal and informal "rules of the game" within which development take place. These institutions are collapsing. There is erosion in our traditional values and norms. The standards of morality have completely dropped. There is hardly any respect for the rule of law and people commit crimes and even murder with impunity. Many elites and public servants have committed financial frauds either in public offices or in banks, and they have been left unquestioned with the legal sector ever ready to defend them provided their legal fees are paid for. This institutional decay has negative implication for the growth and development of our Nigeria. These problems are inexhaustive and the fact is that these issues require careful analysis to design policies that could curb them towards promoting the tenets of growth and development in the economy.

4. The Paradigm Shifts: Finding a Pathway for Nigerian Economy

The past experiences demonstrate that the pathways to growth and development are many and are guided by different visions, different strategies, and different policies to determine their progress. For Nigeria in particular, most of the strategies adopted so far have yielded abysmal results. Therefore, this paper attempts to put forward a paradigm shift to economic growth and development. Some of the pathways are analyzed as follows:

One, is the creation of knowledge economy. Development of information and communication technology (ICT) is key to economic growth and development. Through ICT ideas, skills and technology can lay the foundation of domestic innovation that facilitates human capital development. Research and development (R & D) are requisite premises that spur initiative, promote invention and innovation towards enhancing growth and development. Simply put, economic growth and development can be enhanced through massive investments in education.

Two, the South-South Cooperation (SSC) Approach. SSC has been defined as the exchange of resources, technology and knowledge between countries (Maruri and Fraeters, 2010). The exchange of knowledge and experience have enormous potential role to play in the emerging economies like the Nigerian economy. Today, answer to economic growth and development challenges can come from anywhere. Through SSC, knowledge and learning platforms are created for cross fertilization of ideas, inventions, innovations, practical experiences, and knowledge which help facilitate development among participating nations. Nigeria should exploit her membership of some of the global and regional organizations to her advantage like African Union (AU) that implements its peer review programmes through New Partnership for Africa's Development (NEPAD) among others.

Three, building effective institutions. As Nallari (2011) rightly observed, in complex modern economies, governments must craft an institutional infrastructure to implement their long term strategies. Institutions, such as the legal system or governance mechanisms in the public and private sectors, need to consider the interests of both labour and the business community (Bhagwati, 2010), and to strengthen the administrative capabilities of the state to formulate and implement policies and service delivery programs. Furthermore, the existing public institutions should be allowed to operate within the ambit of the law without external interference. Anybody or organizations that operate outside the law should face appropriate sanction.

Four, open development approach. The concept of open development, presupposes a greatly increased supply of information available to citizens on the issues of products and services that shape their lives (Dowsing and Deane, 2011). This can be realized through good governance and creating space for change. People in leadership should operate open door policy where information about governance be thrown open to the citizenry and to create alternate room for improvement. This will allow injection of new ideas and innovations into the system that could enhance growth and development. Therefore, the freedom of information bill should be fully implemented to the latter without restriction.

Five, elimination of corruption from the system. Corruption is dishonest, illegal and fraudulent behaviour of people in authority or system. As being analyzed above with its adverse implications on the economy, it should be curtailed to allow resources flow in the system without illegal diversion. If this singular factor is checkmated the Nigerian economy will grow without bounds.

Six, stimulate entrepreneurship within the system. Where entrepreneurship is week, surely innovation and technology is slow. Entrepreneurship spirit needs to be cultivated among citizens to create access to the

abundance resources, business opportunities and the existing technologies. This can be realized if good business environment could be created, for instance, improve power supply and network of transport system.
Seven, encourage social capital formation among citizens through initiative of programmes. Social capital is a combination of the features of social organization that include networks, norms, social trust and cooperation for mutual benefit (Putnam, 1995a, 1995b). It is an investment in social relations with expected returns in the market place (Lin, 2001a). Programmes like Fadama II & III, SURE-P (subsidy reinvestment programme), among others should be expanded to enhance social capital formation in the economy which will facilitate economic growth and development.

5. Conclusion and Policy Options

The conclusion from the paper is that both economic growth and development are all about improving people's lives through economic, social, political and technological progress. It is a transformation that requires incomes to grow and then reduce poverty and inequality, building individual skills, having access to social services and raising the quality of life. These twin concepts, economic growth and development, all depend on distributive justice. There should be fairness in sharing the 'national cake' to ensure equity among the citizens as well as the geo-political zones of the country. But unfortunately this distributive justice is lacking and that explains why growth takes place without development in Nigeria. This buttresses the reasons for the prevalent of high rate of unemployment, poverty, infrastructural decay, ethnic conflicts, and income inequality among others in Nigeria today. Therefore, there is need for a paradigm shift in finding a pathway for Nigeria economy. Those strategies analyzed above can be adopted to redirect the development of the economy. More importantly, strengthening the Nigerian institutions will go a long way to address the protracted problem of corruption that has permeated the social fabrics of Nigerian society. Furthermore, the political leaders should be proactive in creating stable macroeconomic environment to sustain growth and development by initiating good economic policies and planning.

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