



## **CHALLENGES OF RECESSION AND CORRUPTION ON NATIONAL DEVELOPMENT: THE NIGERIAN EXPERIENCE**

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### **Abstract**

*The paper gives an overview of the Nigeria's recent experience in corruption which is the root cause of recession and economic situation in the country and has continued to pose challenges to national development in the country. The paper examined some fundamental types of corruption and causes of economic recession in Nigeria. Three theories from the macroeconomics policies were discussed on recession that is the classical theory, Keynesian theory, business cycle theory and how Keynesian model and classical model can be used to remedy the situation. The paper also outlined the effect/implications of corruption which is the root causes of recession on socio-political and economic development. It further highlighted the positive impact of economic recession and finally discussed some solutions to economic recession in Nigeria. The paper concluded that corruption has serious implication to sustainable development. It has stolen the wealth of resources and has made Nigeria a sleeping giant and made the citizens to be trapped in poverty and under-development because the more corrupt a country is, the slower her economic growth rate. Thus, there is need to first eliminate corruption, so that recession can be a thing of the past. The paper provided possible recommendations for combating corruption which included among others that positive transformation of Nigeria can only occur through addressing the root causes of corruption and effective implementation of the legal mechanisms already in place, ensuring the rule of law, good governance, transparency and accountability among others.*

*Keywords: Corruption, Recession, Economic Development, National Development.*

### **Introduction**

Corruption seems to be the root cause of economic recession, as well as the social and political problems besetting Nigeria. Corruption is one of the reasons for recession where one person will take what is meant for a million persons (Magu in Orogbu & Onuzulike, 2017). Corruption contributes immensely to the inhibition of economic performance. It negatively affects investment and economic growth, which is detriment to national development. Without doubt, corruption has pervaded the Nigerian society and in the words of Achebe in Ajie, (2012). If corruption discourages investment, limits economic growth and alters the composition of government spending, it automatically hinders future economic growth and sustainable national development. Corruption tarnishes the image of a nation. Perhaps, Nigeria suffers more than most societies from an appealing international image created by her inability to deal with bribery and corruption. For instance, the Transparency International perception index on corruption in 2002 and National Bureau of Statistics (2011) ranked Nigeria as the most corrupt nation among the 54 nations on their study. Also Nigeria has been ranked 33<sup>rd</sup> most corrupt country in the world, according to report by Germany-based Transparency International, (2013). Nigeria was ranked 144<sup>th</sup> out 177 nations in the world, scoring 25 points out of a possible 100 points



(Vanguard, 2013). This seems to have affected Nigeria holistically including the economy.

The Nigeria economy is currently experiencing recession due to corruption and the inability of the productions sectors to gain access to forex. This hampers business activities and leads to negativity in the production sector. The Nigeria economy is currently insolvent but not poor and requires infrastructural intervention and tactical diversification mechanism to reposition her as the giant of African (Lagos Chamber of Commerce and Industry, 2016). More so, amongst the immediate causes of current recession in Nigeria is a symptom of monopodium economic structure, lack of economy diversification and over-reliance on imports. The Nigeria economy contracted due to global oil price shocks and volatility, worsened by oil pipeline vandalization and depletion of foreign reserves by the previous governments, (Eneji, Dimis&Umejieka, 2017). The current recession in Nigeria was triggered by a sharp drop in government revenues and/ or a drop in costumer spending, a drop in global oil prices (which Nigeriacannot control), which triggered a drop in revenue and government spending due to Nigeria government not being able to earn what it used to earn before the drop.

The monopodium economic structure, depend heavily on crude oil export. The federal and state governments in Nigeria are the highest in the economy. A drop in government spending can dovetail into a drop in consumer spending which in turn means business men cannot invest in products and services, also cannot employ, instead, there is laying off of workers and high rate of job losses. What Nigeria should realize is that by allowing the import of goods that can be produced in Nigeria, the nation is exporting wealth and jobs to those countries and imparts recession, unemployment and poverty. The general objective of this paper is to examine the challenges of recession and corruption on national development: the Nigeria experience. Specifically, the studies will examine the causes and effect of economic recession and corruption and the remedies to challenges of recession and corruption in Nigeria.

## **CONCEPTUAL CLARIFICATION**

### **Recession**

**Recession:** The National Bureau of Statistic(2005) defined recession as a significant decline in economic activity spread across the economy lasting more than a few months, normally visible in a real gross domestic product (GDP), real income, employment, industrial product and whole sale-retail sales. Economic recession can also be seen as a negative real GDP growth rate for two consecutive quarters (say first and second quarters) (Moko, 2016). Judging by the above definition Nigeria is experimenting economic recession, since her first and second quarters growing in 2016. Kamar (2012) stated that recession maybe triggered by financial crisis and/or credit crunch, as well as demand and supply.



### **Corruption**

Corruption has been defined by the Economic and Financial Crime Commission (EFCC), (2004) as the non-violent criminal and illicit activity committed with the objective of earning wealth illegally either individually or in a group or organised manner thereby violating existing legislation governing the economic activities of government and its administration. According to Johnson, in Afolabi (2015), corruption is one of the constellation of development problems, a serious illness, the AIDs of democracy". AIDs an acronyms for Acquired Immune Deficiency Syndrome is a malady which destroys a system's inborn and natural ability to resist and survive a virtual attack. This aptly describes what corruption does to any system where it is welcomed (Ijewere, 1999). Corruption is an economic, social and political malaise. It threatens growth, development and stability of national systems, constrains the ability and capacity to attract foreign direct investment, damages national development reforms, and retards growth (Gore, in Osuagwa,(2012). Corruption manifests itself in form of abuse of position and privileges, low levels of transparency and accountability, inflation of contracts, bribery, kicks backs, misappropriation or diversion of funds, under and over invoicing, false decoration, audience fee fraud and other deceptive schemes, which include commodity harbouring, illicit smuggling of drugs and arm, human trafficking, child labour, illegal bunkering foreign exchange malpractices, counterfeiting of currency, theft of intellectual property, open market abuse and prohibited goods (Alege, Adanu, & Andi, 2014). Corruption is an inevitable by-product of defective democracy in Nigeria. The prevalence of these activities in various aspects of lives has a tremendous adverse effect on the quality of life of a country. Corruption brings a nation no good. The resources meant for water supply, roads, education, health and other basic and social service that are captured and stolen by a handful of Nigerians through corrupt acts stultify economic and social development hence creping poverty all over the place (Keeper, 2010).

### **Causes of Economic Recession in Nigeria**

The major causes of economic recession in any economy may include the following according to Moko, (2016).

**Poor Economic Planning:** Poor economic planning and non-implementation of economic plans is one of the causes of Nigeria's current recession, budget delay, exchange rate policy. The government has proclaimed the usual generalities that every government indulges itself in about

- Diversifying the economy,
- Improving manufacturing/mining sector,
- Raising agricultural output,
- Encouraging foreign investment, among others, yet no concrete evidenced strategic plan for growth.

The government has, on the other hand, caused serious poverty in the land by themselves. The government through her policies widens the gap between the rich and poor creating more economic hardship. For instance, when the Central Bank of Nigeria was selling dollars at N315 and spell out people were buying at N480, the



highly placed individuals in the country were putting call across the banking industry to get dollar at the official rate. This they later resell at the parallel market rate of N480. The people that are profiting from this are people that are telling the government that if the Naira is not devalued people would suffer. The poor paid the price of a devalued currency and the rich schemed off the profits. Moreso, Nigeria currency was devalued when crude oil price in the international market was very low and crude oil export was largely affected by the activities of Niger Delta militants rendering the policy useless since Nigeria is a mono-product economy.

**High Inflation Rate:** Major causes of inflation include Speculation in stock market due to budget delay, rise in domestic oil price due to subsidy removal, fall in the global crude oil price deteriorating Nigeria exchange rate, almost the household price skyrocket. Government ban on the importation of certain essential agricultural products like rice without considering gestation period is error.

**Increased Unemployment:** The general unemployment level in Nigeria which was at intolerable level has further worsened. There have been general downsizings by companies that have adversely affected by the crisis.

**Instability and High Exchange Rate:** The foreign exchange market which was stable in 2007 suddenly lost ground against major traded currencies and has not been able to recover since then. The Central Bank of Nigeria's effort to stem the market failed to achieve set objectives as the Naira continued its downwards plunge against the United State's dollars and other traded currencies.

**High-Interest Rate:** Interest rate between 26.77-27% is extremely high for investors. This high interest rate is discouraging investors. The poor investments culminate into high rate of unemployment in the country, reduction in aggregate demand especially from the households.

**High Taxation:** Small businesses are slaughtered with high interest rate. Both high interest and tax rate have lowered Nigeria aggregate demand.

**Policy conflict:** The economic policy appears conflicting. For instance high-interest rate, high tax rate are tight monetary policy measures adopting expansionary policy and budget deficit.

### **Theoretical Framework**

The Classical economics based their production about full employment on the principle known as Say's law, the creation of French economist in 1776 – 1832. According to the theory, supply creates its own demand. Output, businesses also create enough income to ensure that all the output will be sold. Classical theory suggested that any fall in investment would lead to lower rates. This fall could reduce savings, increase investment and cause the economy to return to a new equilibrium of full employment. Profit seeking business would desire to hire everyone who wanted a job. There would always be adequate demand for the output of those additional workers, because supply creates its own demand. The classical models portray the economy as a free-flowing with price and wages freely adjusting to the ups and downs of economy over time (Barro, 1885). In other words, the model reflect a pendulum which fluctuates such that when times are good, wages and prices quickly go up and when times are bad, wages and prices freely adjust downward. It idealizes the



economy at full employment. Meaning that resources are being fully used to their capacity (Blanchard, 2011). Classical economist believed that the economy is self correcting and self adjusting which means that when a recession occurs, it needs no help from anyone. (Imran, Faridi & Ejaz-Gul, (2014).

The second model is Keynesians model. This model came about as a result of great depression of 1930. Keynesians theory which argued that causation ran the other way from demand to supply. Keynes's views business production decisions on the level of expected demand or expected total spending. The more the consumers, investors, and others, plan to spend, the more output business will expect to sell and the more they will produce. In other words supply (or input) responds to demand not that converse on the classical economist suggested. Keynes argued that the level of total spending in the economy could be inadequate to provide full employment, that the classical economists were wrong in believing that interest rate adjustments and wages/price flexibility would prevent unemployment. According to Keynes, full employment is possible only when the level of total spending is adequate. If spending is inadequate, unemployment will increase. Keynes's believed that in the bad times government and money leaders are required to do something to help the economy in the short run or long run may never come. Infact, he is quoted as saying "In the long run, we are all dead (Godwin, 2008). Keynes argued that the government must spend more and/ or tax less in bad times. The reason for this is that it will put more money into the hand of consumers; Keynesians believes that recessions are caused largely by inadequate aggregate demand (AD) and therefore that increasing AD will get the economy out of the slump. In this view, the government starts to pay people to do things like, for example, building roads, the money government spends will multiply itself and have a much larger impact on the level of AD. For instance if the government spend ₦ 100m on road construction, the workers who get that money will save a bit and spend most of it, that means business will have gotten perhaps N90m (if workers saved 10%) the business will save and spend most of it. This cycle keep on occurring over and over and the initial government spending is multiplied many times (the exact multipliers depend on how much people save). In this way, AD curve will be shifted to right and GDP will rise.

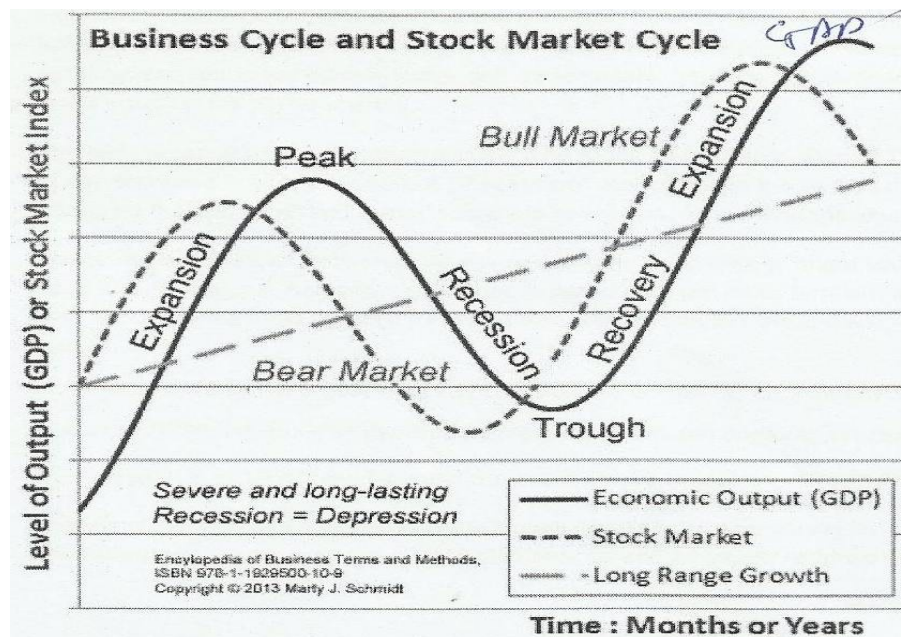
Keynesian argument that government had responsibility, as well as means of alleviating economic turmoil. This can be done by increasing the money available to business and to customers through low-interest loans, economic activity is spurred with the availability of cash, business can invest in recapitalizing and consumers can spend as business recapitalizes and grows, it hires more workers, thereby decreasing the rate of unemployment. Keynes approach to recession inventory increased greatest concern was for the need to ensure full employment, and market mechanisms by themselves.

Finally, Business cycle theory refers to changes in economic activity within a country. The cycle in terms of economic input measures as the country Gross Domestic Product (GDP) (Bucknail, 2013). The GDP is the market value of all goods and services produced within multinational companies. In other countries, that activity is not part of home country GDP. GDP can be explained as the total market of all final goods and services produced in a country in a given year, equal to total consumer,

investment and government spending, plus the value of export, minus the value of import. GDP is composed of goods and services produced for sales in the market and also include some non-market production, such as defences, education services provided by the government (Hannah , 2011). GDP can be calculated on an annual basis or as a quarterly basis. GDP includes all private and public consumptions, government outlays, investments and exports minus imports that occurs within defined territory. GDP can be estimated in three ways which, in theory should yield identical figure (Jerome, 2003).They are:

1. Expenditure basis: how much money was spent
2. Output basis: how many goods and services were sold, and
3. Income basis: how much income (profit) was earned.

The GDP is one of the primary indicators used to gauge the health of a country economy. It represents the total dollar value of all goods and services produced over a specific period.



A business cycle is basically defined in terms of period of expansion of rescission. Business cycle theory opined that the economy is often buffered by unexpected shocks Ngwube&Ogbugu (2014). Sudden changes in events for the better or for the worse, can affect either the short-run aggregate supply curve or aggregate demand curve. Destructive “shock or sudden weather change can reduce the aggregate supply (AS) curve – they move it to the left and reduce the level of gross domestic product (GDP). That is announcement of bad new by the governments, sudden sharp increases in the rate of interest or perhaps fear of war might reduce people to save more and spend less, thereby shifting the AD curve leftward and reducing the level of GDP. By contest, all “furthering” shocks, such as a sudden boost in consumer or producers confidence or the announcement of good financial news, can push the AD



curve to the right (demand increases when people buy more or business invest more). This means the starts or continuation of an upswing in the cycle.

Shocks to aggregate demand are typically unanticipated changes in monetary or fiscal policy. Shocks to aggregate supply are typically changes in productivity that may result for example, from transient changes to technology, prices of raw materials or the organization of production. Ideally firms will choose to produce more and pay workers more when the economy is hit by favourable shocks and less when hit by unfavourable shocks (Alan, 2010). In views of the three theories discussed above, the local points of Keynesian theory are suggested measures of ending economic recession in Nigeria that active government policy should be effective in managing the economy, rather than seeing unbalanced government budgets as wrong, he also advocated what has been called counter cycle fiscal policies, that is policies which acted against the tide of the business cycle, deficit spending when a nations economy suffers from recession or when recovery is long delayed and unemployment is persistently high and the suppression of inflation in boom times, that is government should solve the problems in short times than waiting for market forces to do it in the long run, because in the long run, we are all dead (Keynes, 2007).

### **Implication of Corruption on National Development**

The implications of corruption on a nation's socio political and economic development are myriad. The foremost implication of corruption is that it leads to a reduction in economic growth and development by lowering incentives to invest. It also leads to a de-investment in such economy. Serious investors are always wary of offering bribes before being allowed investment rights or operational licenses (Epele, 2006). Corruptions alter the pattern of government expenditure. Experience has show that in highly corrupt countries, officials throw government funds more into larger and hard to manage projects, such as airports or highways than on social services like health and education. It has been a stumbling block to people enjoying the social fruits of good governance (Ibrahim, 2003). Corruption contributes immensely to the inhibition of economic performance, negatively affects investment and economic growth, which is detrimental to national development. If corruption discourages investment, limits economic growth and alters the composition of government spending, it automatically hinders future economic growth and suffers more than most societies from an appalling international image created by its inability to deal with bribery and corruption. Corruption contributes to the problem of mass poverty and renders millions of Nigeria citizens unemployed and uneducated. The poverty profile of Nigeria appears to be worsening. Corruption led to decaying infrastructure, inadequate medical services, falling educational standards, mismanagement of foreign loans, bloated imported bills and public expenditure, reduced production capability, distortion of the economy through wastes and misallocation of resources. In 2001, Nigeria lost more than ₦23 billion due to corruption (Salu & Aremu, 2004).

Other implications of corruption on national development in Nigeria include the fact that most Nigerians are treated with suspicion in most business dealings, thereby making some honest Nigerians to suffer the stigma of corruption due to



stereotyping. Corruption stifles businesses that are unwilling to engage in this nefarious activities. Ironically, it also destroys the companies that yield to this practice, thus halting or at least delaying considerably, the march towards economic progress and sustained development (Alege, Ajama& Audi, 2014). According to Ribadu (2006), corruption is worse than terrorism because it is responsible for perpetual collapse of infrastructure and institutions in Nigeria. It is the cause of the endemic poverty and under development and cyclical failure of democracy to take root. Poverty is found to persists in Nigeria because of the mismanagement of resources and corruption, (Alesina, 1999).

### **Effect of Recession on Nigeria's and National Development**

Recession and corruption pose serious developmental challenges to the nation as they threaten the existence of Nigeria as a nation. The present economic recession threaten food security in Nigeria. If effective economic and political measures are not taken quickly, more than 80% of Nigerians will be living in extreme poverty in the next decade (by 2030), which is an irony of the poverty reduction policies. Presently many Nigerians are not earning income, talk less of those who spend all their income on food, up to graduate degree worker. There is a drastic reduction in wages, and many months of owed salaries. Many working people are neck deep in debt, pushing them into extreme poverty, and adding to the distress and misery of the aggregate poor households. In the case of unemployment, when people are not engaged in meaningful work and are lacking the basic necessities of life, they bring attention to their plight by engaging in destructive behaviour at the slightest opportunity and provocation. Nigeria is made up of jobless youths who are ready to do anything even engage in criminal activities as a way of engaging themselves if nobody does. These jobless youth resort to armed robbery, electoral violence, assassination, kidnapping Biafra war and rituals as a way of making a living. This is why according to Odumakin (2012) with 60 million unemployed youths Nigeria will have no peace. One cannot rule out the fact that activities resulting from unemployment are indirect consequences of corruption.

Moreso, many so called employed workers can no longer afford to cater for basic needs, including proper and adequate food and health care. As the standard of living declines, the life expectancy of many working and unemployed households is fast declining too. The excess demand for foreign goods is at the expense of jobs in Nigeria; underproduction and under supply of domestic goods. Over reliance on the dollar has contributed significantly to the economic recession, resulting to exchange rate problems and balance of payment crisis. These have made the Nigeria economy defenseless in the face of global price volatility investment inflows that would have found their way into Nigeria are rather diverted to Ghana, South Africa, Kenya and other neighboring African countries. The Nigerian economy has been hit hard by imports, plunging oil revenue and sharply low investment inflows, and Nigeria needs to fight the root causes, not just the symptoms of recession. Now is the time for Nigeria to avoid all forms of waste. For instance, why should military uniforms be imported when there are tailors capable and looking for jobs in Nigeria? All military



hardware and software are imported at the expense of local content, creativity and innovation. This is not sustainable development.

The livelihood strategies and opportunities available to the rural and urban poor are shrinking with the recession, leaving more people in slums, squalor, darkness and hunger, thereby increasing the pressure to clear forests for food and firewood, hunting of animals for bush meat, just as a survival strategy. There are also increased militant and criminal activities, destroying national economic assets such as petroleum pipe-lines in the Niger-Delta and electricity cables and transformers in the East. The land, air and water are being polluted. Essential natural resources and ecosystem services provided by the environment to support economic growth and sustainable livelihoods are increasingly being destroyed (Eneji, Dims, & Umejiaku, 2017).

### **Positive Impact of Economic Recession**

The positive impact of economic recession according to Eneji, Dimis, Umejiaka (2017) is that it gives an edge to small scale business such as small scale cropping, gardening, fishery and animal farms. Low cost transportation business such as the Keke-Napep and commercial taxi are making it as it has become too expensive (in fact a luxury) to move about with car given the hike in fuel price and the level of illiquidity. Average people prefer to pack their cars, except where very necessary, and patronize cheaper means of transportation. It has become more economical to use Keke-Napep. Sales of food items and operating low cost canteen and low cost health care are business opportunities favoured by economic recession. There are also individuals, households and business austerity measures. Economic agents involved in a lifestyle that leads to wastage of money are making changes. For instance, unnecessary and irrelevant travels, avoidable shopping and flamboyant entertainment and food wastages are minimized. The rich are also complaining. These are making the average Nigerian lifestyle economical and sustainable too.

There is budget deficit and budget cuts for individuals, households and businesses. Purchase of expensive phones, new cars, household gadgets and appliances when old ones are still in good condition are discouraged. People are fast imbibing maintenance culture. Those with long appetite for imported foods and services are beginning to realize that it is not economical, or too expensive and unsustainable. Moreso, many have switched to buy “made in Nigeria” and have realized that they gain more by doing so. This is good for local manufacturing and employment. Even for the rich, areas of priority spending have become housing, food, affordable education, healthcare, transportation and clothing. Economic agents are into part-time job, business and small scale farming for household consumption which is a positive injection to the economy. Medical tourism to India, United States of America, and shopping spree in Dubai, France, Italy, South Africa and wholesale imports from China and other countries are fast declining

### **Solutions to Economic Recession**

The Lagos Chambers of Commerce and Industry (2016) discussed the following solutions to economic recession in Nigeria.



**1. Intended “Disposal” of Federal Assets:**

With the current state of the Nigerian economy, it has become eminent for the country to explore ways of generating Forex revenue to plough back into the economy and jump start economic activities. The term “**SALE of National Asset**” should be replaced with “**PRIVATISE**” to ensure the buy-in of key stakeholders and resolve controversies which the word, “Sale” is already generating. Privatization of Federal assets can be viewed a welcome development as it seeks to enhance public private participation in the economy while providing revenue for the Government. Thus, the debate should be drifted on what to privatize now to generate the needed foreign exchange, how to avoid the bitter experience of the past privatization and best way to utilize the proceeds. The assets that are deemed attractive to investors should be first considered at this time in order to raise foreign exchange and address the prevailing crisis. Assets such as pipe lines, transmission line, refineries, NLNG, rail corridor, steel company should be considered for privatization at this time. For instance, Saudi Arabia’s is currently offering to sale 5% of its national oil company, “Arabco” valued at \$2.2 trillion to generate about \$120 billion as its response to the shortfall oil revenue. Nigeria can take a cue from this and act fast as well.

**2. Boosting Forex Supply through FDIs**

It is far strategic to concentrate on Foreign Direct Investments (FDIs) rather than portfolio investment to resuscitate the economy at this time. Government should give thought to the following approaches for generating FDIs:

- **Brownfield FDIs:** Allow investors to make investment (in Dollar terms) in already existing public assets. This can be done by Government selling down its equity holdings from 51% or 49% as the case may be to 25% on some specific assets on demand. This is best done through the capital market for transparency and inclusiveness. At the same time, it serves to deepen the country’s capital market. Other than direct borrowing which come with costs and conditionality, this is potentially the quickest option available for the Government. With this, the assets are run more efficiently with less political interventions, free up government financial contributions to the asset maintenance and increase tax revenues. It also allows government to function efficiently as an industry regulator as opposed to an operator and a regulator with inherent conflicts of interests and distractions.
- **Green Field FDI:** This involves efforts of the government to open up investment opportunities in view infrastructures to attract Forex. It requires favourable policies, ease of doing business conditions and the Government being able to communicate its economic agenda such that investors’ confidence is restored. Opportunities for new investments in solid minerals and the industry abound in Nigeria due to abundant resources and large market size. Nigeria is the largest country by population in Africa, Middle East and Europe and its demand capacity have been proven and sustained in the GSM and telecoms story.



3. **Central Bank of Nigeria Monetary Policy**

The prevailing monetary policy seems to further support increased portfolio investment and check rising inflation trend. It is pertinent to state that the recent raise in inflation rates is not the function of lower interest rates. The CBN monetary policy committee should reduce the current policy to the barest minimum and regulate issue of foreign exchange to companies during this time of crisis to avoid creating a deep in foreign reserves.

4. **Economic Stabilization Emergency Bill**

Government should enact an act focused on economic restoration “Nigerian Economic Recovery Act” emulating the trend in United State; extracting all delay and inhibiting factors to economic decisions and actions of the executive and seek possible ways to expunge. This bill should be passed within a day to avoid delays, sentiments and further create a coherent package bringing all key stakeholders on board. The bill should be passed with emphasis on forex shortage and recession, modified to favour the public procurement Act. A collaborative effort is very key in achieving this milestone to bring Nigeria out of recession.

5. **Invest in the Energy Sector**

Borrowing from both domestic and foreign should be invested more on infrastructure funds should be sourced more from the domestic economy than the foreign investor to avoid the incidence of capital flight. The government should work with the legislative body to endure speed execution of her project.

Others are reduction in imports, increased domestic production, investment in infrastructure, agriculture and manufacturing, promoting SMEs and inter-regular trade, encouraging indigenous entrepreneurship would help to remove the pressure on the dollar (foreign exchange). Regional integrations, vigorous trade between Nigeria and the rest of the world, especially African nations and raising exports will improve the economy and serve as a remedy to economies recession. There is need to reduce government borrowing for the economy to bounce back, reduce in income taxes for household and firms, and increase in domestic production, domestic trade and employment. There is also need for government spending to offset the fall in private sector investment especially in a recession. Finally, government should increase aggregate demand by increasing the money supply and increasing government spending and reducing taxes.

**Keynesian Model on Solution to Economic Recession**

Moko (2006) outlined the following solutions to fight recession using Keynesian model.

**Effective Spending:** Nigeria need to expand her export earnings and production base through wise investment, injecting more funds into the economy, need for diversification, allowing free flow of Naira and stabilizing the oil sector, modernizing agricultural sector, by these Nigeria can speed her way out of recession wisely.

**Reduction in tax rate:** Government should reduce tax rates on individuals, small businesses, and corporations by lowering the tax rate by at least 10 percentage points.



The government instead of reducing tax rate to increase purchasing power rather increased the tax rate killing so many small scale businesses who cannot meet up with the cost of doing business. Foreign investor will be encouraged with reduction in tax rate. This will increase inflow of dollar to Nigeria economy, and ultimately increase investment cum standard of living. And this will solve the problem of high exchange rate.

**Enhance access to credit:** For instance, total consumer credit in Nigeria stands at less than \$10 billion dollars in about \$500 billion economy, this corresponds to about 2% of her GDP. Some developed economies, consumer credit ranges from about 20% (USA) to 50% of GDP (Brazil). South Africa, Africa's largest economy by PPP has a consumer spending to GDP ratio of 66%. Nigeria should aim for a consumer credit to GDP ratio of about 10% over the next 5 years. This would be the equivalent of injecting a stimulus of \$50 billion per year into the economy. Consumer access to credit will speed up the economy. The economic policy indices should be re-evaluated. So the government should invest in skills acquisition in IT, telecommunication, agro-allied, sports among others. The training should be 80% practical. There are needs for multiple competences, particularly among youths as a measure to curb increasing global joblessness. The greatest challenge today in Nigeria is unemployment the government should partner with private organization to organized entrepreneurship and skill acquisition programme for the youth. The government major policy is on agriculture development but a better mechanism should be put in place to grow the sector, the government should empower the youth to go into the sector, government should bumper harvest store to store agriculture product excess government should also go into farming on the many lands lying fallow. Agriculture should be all year round, irrigation program pursued in all the states in Nigeria.

### **Conclusion**

The Nigeria economy is currently experiencing recession due to corruption and inability of the productive sector to gain access to forex, thereby hampering business activities and leading to negativity in the sector. Corruption which is the root courses of recession has made Nigeria sleeping giant and has done more damage to the country than anything else we can think of, if we consider that it is directly or indirectly at the root of every evil. Corruption encourage kleptocracy, breeds poverty, unemployment and contributes to as well as exacerbates the situation. The Nigeria economy is currently insolvent because of corruption but not poor and requires infrastructural intervention and tactical diversification mechanism to reposition itself as the giant of Africa. Corrupt regimes always yield disastrous results. Corruption which is equal to monopoly plus discretion, minus accountability has serious impediment to sustainable development especially in our country Nigeria, it has stolen the wealth of resource rich nation like ours, and thereby making people to be trapped in poverty and economic development still remain negative. The more corrupt a country is the slower it economic growth rate. Corruption is stigma that destroy the reputation of affected country, it lower investment and economic growth of country. Since corruption seems to be the root because of recession, there is need to



first eliminate corruption. If this is done recession would be a thing of pass or lethal bow, in this regard, the following are recommended.

### **Recommendations**

In order for Nigeria to successfully combat corruption, there is need for a mechanism that will transform dramatically the culture and legacy of corruption.

1. Positive transformation of Nigeria can only occur through addressing the root causes of corruption and through effectively implementing the legal mechanism already in place for instance Nigeria has introduced economic reforms through privatization, deregulation, civil service reform etc with the aim of promoting the integrity of public servant. These measures are all very vital in fight against corruption, but the key factor to galvanize and orchestrate these measures is having honest leaders with political will to tackle corruption.
2. Another way of eradicating corruption is by ensuring the Rule of Law. Rule of law according to Yagi (1981) as cited by Bassey, Aabia, Attah and Bassey (2013) is concerned with independence of the judiciary, the equality of citizen before the law, the supremacy of judiciary pronouncement and subjection of both bureaucratic and general social norms to judicial interpretation. If these are achieved the level of corruption by public official will be reduced. When there is reduction in the level of corruption in public life other segments of the society will automatically re-examine itself.
3. Improvement in standard of living of the people is necessary if the fight is to be won. These involve provision of jobs and socio- economic transformation.
4. Good governance, transparency and accountability are necessary if the fight against corruption is to be achieved. Combating corruption which is the root causes of recession from Nigeria is a task that should not be left to the government alone, all hands must be on deck if our country is to be purged of this evil and a corrupt free future for Nigeria.

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