Global Journal of Applied, Management and Social Sciences (GOJAMSS); Vol.24, April 2022; P.209 – 218 (ISSN: 2276 – 9013)

ADOPTING THE DOCTRINE OF NEOCLASSICAL ECONOMICS, IN SOLVING THE PROBLEM OF UNEMPLOYMENT IN SUB-SAHARAN AFRICA, NIGERIA IN PARTICULAR.

OGURU AYIBAMIEBI FOSTER
School of Management Sciences
Federal Polytechnic Ekowe,
Bayelsa State.
+2347039544025
fosteroguru1@gmail.com

&

MATHEW BOLOEKEYE
School of Management Sciences
Federal Polytechnic Ekowe,
Bayelsa State.

Abstract
Development scholars, not satisfied with the traditional economic measures of development, clamoured for more direct attacks on the widespread absolute poverty, increasing inequitable distributions and rising unemployment in less developed countries in the 1960s. The experiences of the 1950s and 1960s when many developing nations reached the economic growth target, defined as economic development in traditional economic literature, without change in the levels of living of the masses of people engendered such attacks. Hence the new economic view of development focuses on issues such as, what is happening with unemployment, absolute poverty and income inequality in a country or religion. Among the three indicators of under development, unemployment is more critical, because it reinforces the others. This paper attempts to employ the doctrine and policies of the neoclassical school of economic thought with particular emphasis on Keynesian employment model in solving the problem of unemployment in Sub-Saharan Africa, particularly Nigeria. Drawing conclusion from various theoretical and empirical studies, it was presented that Keynesian theory of employment, if properly adopted can solve the problem of unemployment in Sub-Saharan Africa. The following recommendations were made. Countries in Sub-Saharan Africa should solve the problem of lack of accurate and reliable data. Secondly the need to improve institutional qualities was recommended. Lastly, there should be proper policy coordination.

SECTION A
INTRODUCTION

Ordinarily, economic thought would be taken to cover the set of theories, doctrines, laws and generalizations, and analyses applied to the study and solution of economic phenomena and problems. Bhatia, (2006)

The history of economic thought deals with different thinkers and theories in the subject that became political economy and economics, from the ancient world to the present day in the 21st century.
There are numerous schools of economic thought, however they are classified into three broad schools. The classical school, the Marxian school and the Neo-classical school.

A school of thought can be seen as a unifying philosophy or particular point of view with a group of adherents. The sub-Saharan Africa is geographically, the area of the continent of Africa that lies south of the Sahara. It is usually referred to all of Africa except six predominantly Arab states by the UN and allied agencies. These

countries are Morocco, Algeria, Tunisia, Libya, Egypt and the Sudan. All except Sudan are located in Northern Africa.
The sub-Sahara Africa is indeed bedevilled with myriads of economic problems that characterises countries in the region as less developed countries. Economic problems such as low or lack of economic growth, income inequality, inflation, poverty, unemployment; which has dovetailed into societal problems like insecurity in some countries, especially Nigeria.

During the 1970s, international-dependence models attributed the existence of underdevelopment in the LDCs primarily to the historical evolution of highly unequal international capitalist system of rich country-poor country relationships. "Whether because rich nations are intentionally exploitative or unintentionally neglectful, the co-existence of rich and poor nations in an international system dominated by such unequal power relationships between the centre (the developed countries) and the periphery (the LDCs) renders attempts by nations to be self-reliant and independent difficult and sometimes even impossible." Todaro & Smith (2012).

However, (Okowa 1996) deviates completely from the above point of view. Historical and geographical factors are adduced for the underdevelopment of sub-Sahara Africa, and not colonialism and imperialism perse. That the major motions of the main body of humanity in the Eurasian mass for some 3000 years by passed the sub-Sahara Africa. "These motions in various ways enhanced the cultural heritage of the resulting societies. Questions were raised and successfully confronted. The cross-breeding of ideas, cultures and genes enhanced the resulting cultural personality. It is the totality of all these interactions carried on over thousands of years that gave birth to the industrial man………… This is true of the main body of Negroes located in sub-Sahara Africa. Here of course the Sahara desert contributed its quota in the isolation of the Negro. (Okowa 1996)
This paper attempts to adopt the Neo classical school of economic thought and its doctrines in solving the problem of unemployment in Nigeria.

"The economy and democracy are two terms that have agitated the minds of many Nigerians in recent years. The interest in the economy is borne out of the citizens from the market women to corporate leader and from the man in the street to the president of the country, the performance of the national economy has been a matter of sustained interest………. The output per head is one of the lowest in Africa, in spite of the country's enormous resources. Most of the nation's manufacturing facilities are idle, with the result that unemployment, even for graduates, has reached frightening proportion. Akpankpan & Umoh (1999:1).

The situation has not improved. Rather it is becoming worse, as National Bureau of statistics put the unemployment rate in Nigeria at 33.3 percent of the labour force. (NBS Q4 2020)

SECTION B

The Neo Classical School of Economic Thought

This is the name given to a group of economic philosophers consisting of Alfred Marshall, (1842-1924) and his followers. The early contributors to the neo classical economic thought included in addition to Marshall, William Stanley Jevons (1835-188882), Carl Merger (1834-1921) Leon Walras (1834-1910), and John Maynard Keynes (1884-1946).
The neo classical school accepted the basic economic idea of the classical school, the idea that the free market was the best instrument for achieving maximum welfare for the society and used the refinements they introduced to further convince the people of the efficacy of the instrument.

"The main text of "*his principle*" is in ordinary language. In his principle Marshall provided a comprehensive view of the entire economic thought which existed at his time and was therefore able to command the attention of generations of students and teachers alike ….…… Marshall was not claiming such a revolution, since he believed that in economic thought, it is not a revolution but evolution that takes place. But still without his having any intention to do so, he did establish a following which became a tradition and therefore a school". Bhatia (2006)

Alfred Marshall (1842-1924)

Marshall was born in Clapham, London. He was primarily interested in Mathematics, so graduated in Mathematics with honours from St. Johns College, Cambridge. After his education at Cambridge, he started teaching economics at Cambridge and under the influence of the writings of two of the early mathematical economists, Cournot and Von Thuman, began to translate Richardo and J.S. Mill's economics into Mathematics. In his book, Principles of Economics, Marshall made a broad and flexible definition of economics. "Political economy or economics is a study of mankind in the ordinary business of life, it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing". Ahuja (2015)

Marshall's Contributions to Economics

Introduction of the concept "Margin" in economic analysis.

Marshall is known for perfecting the tool of the 'margin'. "Under the guidance of Cournot, and in less degree of Von Thuman, I was led to attach great importance to the fact that our observations of nature, in the moral as in the physical world, relate not so much to aggregate quantities, as to increments of quantities. Marginalism does not mean that the averages are relegated to the background and have no place in economic analysis. The role of margin lies in its ability to set as fine and reliable indicator of the actions which an economic unit would take under different circumstances. Given the objectives for which an economic unit is to work in the market and given other relevant conditions under which it is to operate, we can determine the course of its action looking at what, at the margin, is happening to various variables. (Bhatia 2006)

Thus, this marginal analysis has helped economists in making optimal decisions regarding the actions of economic units such as the consumer and the firm.
Marshall introduced the concept of the margin, has helped in solving the problem of paradox of value, that has hitherto existed in economic theory.

Utility and Demand

In taking up the verbal presentation of demand by mill, he improves upon it, giving it an explicit functional character and provide a demand schedule. He does this, by establishing a link between utility and demand. Tracing the development of consumer's demand over time, he points out that in contemporary economy, consumer's demand governs traders' actions. Marshall introduce the law diminishing marginal utility. Marshall's theory of demand also provides us with the normal law of demand, which states that demand and price are inversely related to each other.
He provided proof that laissez-faire regarded as a principle of maximum social advantage breaks down in certain conditions, theoretically and not merely practically.
The clarification of the respective roles played by demand and cost of production in the determination of value was also made. He also introduced the concept of elasticity in economic theory.

Production and Supply

After discussing the theory of consumption and demand, Marshall went on to discuss the theory of production and introduce the concept of supply price.
Since the concept of supply is hinged on the availability of factors of production and their efficacy, Marshall effectively discussed the characteristic features of different agents of production, the productive and business organisations in the economy, and their related problems, such as laws of return.

- The introduction of time elements as a factor in economic analysis, with the concept of short-run or market period and long-run period.
- The distinction between internal and external economics.

John Maynard Keynes (1883-1946)

J.M Keynes was born in Cambridge, England to Florida Keynes and John Neville Keynes. John Maynard Keynes graduated from Cambridge in 1905 in the Mathematical Tripos and was deeply influenced by Marshall, and others. In 1909 he became a fellow at Kings College where he started teaching economics in Marshallian tradition.

He was thoroughly groomed in Marshallian economics and Mathematics with a Philosophical bent. His most important contributions to policy and theory are contained in his book "The General Theory of Employment, interest and Money; published in 1936.

The classical theory which held that an unregulated market economy with government following a policy of Laissez-Faire would automatically results in full utilization of resources and optimum rate of economic growth failed in the 1930s during the great depression in the western world. The various versions of the quantity theory of money employed to understand the macro-economy failed. Hence, Keynes abandoned the quantity theory of money for an income approach, which examined the savings investment process.

Secondly, Keynes wanted to find out those forces, which brought about the large volume of unemployment in England in the 1920s, a condition regarded as impossible by the classical economic theory. It was to provide a solution to the problem of unemployment that Keynes published his general theory in 1936. The general theory was opposed to the Laissez-Faire economic policy rather it favoured government intervention. This policy was put to practice in Britain, it worked and other countries followed the policy. Hence, Keynes is regarded as the father of macroeconomics.

Keynes Contributions To Economic Theory

- Keynes maintained that the level of income and employment depended on the level of aggregate demand. He disagrees with classical theory which posits that supply creates its own demands.
- The level of aggregate demand depends upon the demand for consumption goods and for investment goods.
- Consumption spending depends upon the levels of income and their relationship is called the propensity consume. The relationship can be expected to be stable since it is grounded in both objective and subjective factors which are unlikely to change suddenly.
- When aggregate real income is increased, aggregate consumption is also increased but not as much as the increase in income. Thus; O<MPC<1
- Investment spending depends upon the marginal efficacy of capital (MEC) and the rate of interest.
- The rate of interest depends upon the desire to hold money and the quantity of money. The demand to hold money at various rates of interest is termed liquidity preference function.
- There are three motives for holding money; the transaction, precautionary and speculative motives. The first two motives are almost interest inelastic, while the last is interest elastic. At liquidity trap, the speculative motive may become perfectly interest elastic.
- Government intervention in the economy through appropriate fiscal and monetary policies

Major Belief and Doctrine of the Neoclassical School

Neo Classical economists accept the idea of the classical school that the free market system; coordinated by Adam Smith's invisible hand, the interplay of market forces of demand and supply, guarantees efficiency in the economy. They differ from the classical school because they all admit that the market system does break down from time to time; and under certain circumstances.

Hence, the neoclassical school, consider it necessary for the government to intervene in the economy to play a stabilizing role.

However, in adopting the neoclassical school of thought in solving the unemployment problems of developing countries, this paper attempts to employ Keynesian employment theory.

SECTION C
Keynesian Economics and Solving the Problem Of Unemployment In Nigeria

Say's law of markets is the basis of the classical theory of employment. John Baptiste Say, opined that 'supply creates its own demands: classical economic theory therefore, posits that, there cannot be general overproduction and the problem of unemployment. This theory failed in the western world, as revealed in the great depression.

"The logical starting point of Keynes theory of employment is the principle of effective demand. In a capitalist economy the level of employment depends on effective demand. Thus, unemployment results from a deficiency of effective demand and the level of employment can be raised by increasing the level of effective demand" Jhingan (2009). It implies that different levels of effective demand represent different levels of employment. According to Keynes, the level of employment is determined by effective demand which in turn is determined by aggregate demand price and aggregate supply price.

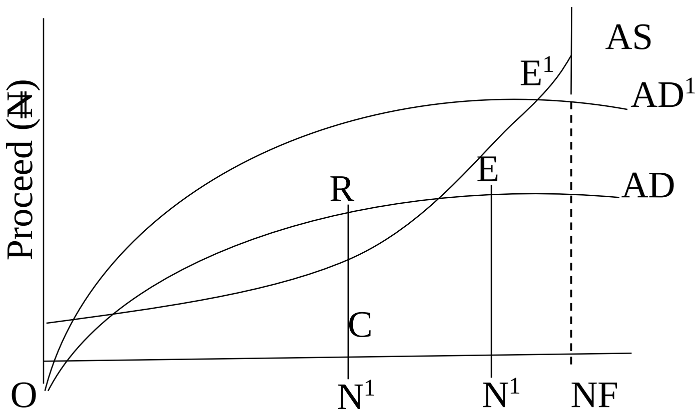

Figure 1: Keynesian Employment model
Source Ahuja, H.L (2015)

Keynes holds that, in the short-run technology, machine and raw materials are given. Therefore, it is the level of effective aggregate demand that determines the level of employment in an economy. Traditionally, he considers private consumption expenditure and investment demand as components of the aggregate demand. That private consumption demand depends on level of income and their relationship is called Propensity to consume, while investment demand depends on marginal efficacy of capital (MEC) and the interest rate.

It follows that effective demand determines the level of employment in the economy. When effective demand increases the level of employment increases, and a decline in effective demand decreases the level of employment.

It implies that, the importance of the principle of effective demand lies in pointing out the cause and remedy of unemployment.

Though, Keynes assumed government expenditure to be autonomous, post Keynesians included it in the aggregate demand function.

Hence, effective aggregate demand is made up of private consumption demand, investment expenditure demand, Government expenditure, on both and Net Export in an open economy.

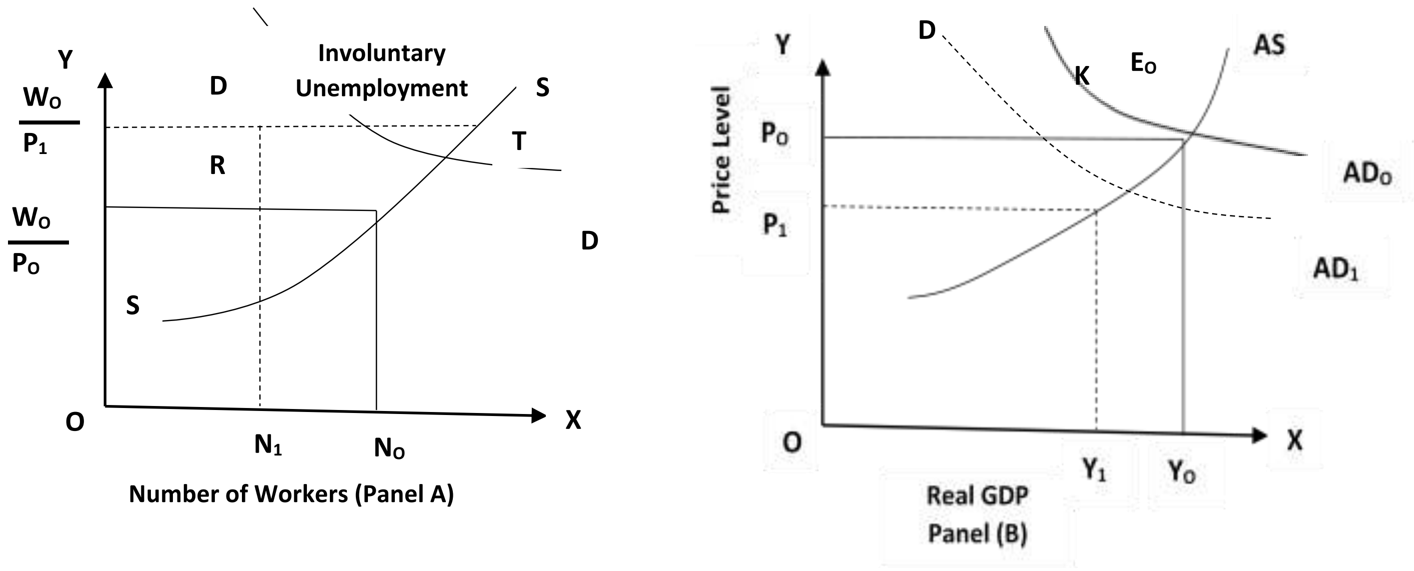

Fig. 2 Keynesian Rigid money wage and flexible price model; the emergence of involuntary unemployment. **Source Ahaji, H.L (2015)**

In panel 'b' suppose due to fall in Marginal Efficiency of Capital, in the AD curve and since Keynesians believe that in the short run Aggregate Supply curve is given, there is reduction in investment demand and through the multiplier causes a left ward shift of the AD curve to AD_1. Which produces output at Y, instead of Y_0. It reduces number of workers from N_0 to N_1 in panel 'A' at the wage level W_0. The gap RT workers are rendered unemployed, even though they are willing to work at prevailing wage rate. This is Keynes' involuntary unemployment that calls government intervention through fiscal policy to bring the economy to full employment level.

Relevance of Keynesian theory of employment to developing countries.

In the 1950s and 60s economists, in the likes of V.K.R Rao and Das Gupta pointed out that Keynes theory of employment was only applicable to the industrialized economies. It was held that more fundamental structural factors such as lack of capital stock relative to labour force, lack of wage goods, among others were attributed for unemployment in the developing countries.

However, in the beginning of the current millennium, the situation has changed due to economic development and structural transformation that has taken place in the economies of developing countries for the past five decades. Modern economists are of the view that Keynesian economics is relevant and applicable to economies of developing countries.

Ahuja (2015) gave six reasons Keynes' policy prescription are relevant to developing countries, to grow their output and create employment. These elements of Keynes that has become relevant to the present-day developing countries are discussed below:

1. **The Problem of Demand Deficiency**
   Development experience of the last half a century has revealed that even in developing countries the role of adequate growth in effective demand for achieving sustained economic growth on which Keynes laid a great emphasis cannot be ignored. As Rayner Nurkse in his now well-known work "problem of

capital formation in underdevelopment countries" had laid emphasis that investment in the developing countries was low because of narrow size of the market.

2. **Investment Behaviour in Developing countries**

Keynesian economics is also relevant to the developing countries with regard to its analysis of investment behaviour. Distinguishing between decision to save and decision to invest. An important contribution made by Keynes to the theory of investment refers to the role of business expectations in determining investment. The rate of interest and marginal efficiency of capital. The latter is determined by the state of business expectations, (animal spirit). This analysis clearly brings out the relevance of Keynes investment analysis to the developing countries. As building up favourable investment climate requires appropriate fiscal and monetary measures to influence business expectations positively.

3. **Portfolio choice by Investors**

Another important element of Keynesian analysis which is relevant to the developing countries is related to portfolio choice. In the modern exchange economy even in the developing countries like Nigeria, credit plays a crucial role and portfolio choice by the investors, at least among three types of assets, namely, bonds and shares, physical capital assets and money balances, in the form of bank deposits must be made.

This clearly brings out the correctness of Keynes' fundamental insight into the determination of investment and portfolio choice. Which is applicable in present economies of developing countries.

4. **Keynes' Consumption Function**

Keynes argued that consumption is a function of current level of absolute income (C=a+bY). Empirical findings have shown that, Keynes' compunction function is applicable to developing countries. Akekere and Yousuo (2012), in their work "Empirical Analysis of change in income on private consumption expenditure in Nigeria from 1981 to 2010" established a non-proportional positive functional relationship between income and private consumption expenditure in Nigeria. Ezeji and Ajudua (2015) proved in their empirical study that the Nigeria consumption function, and the determinants of aggregate demand conforms to Keynesian model.

Onanuga et al (2015) confirmed that the simple Keynesian consumption function is still relevant in developing countries like Nigeria.

5. **Keynesian Multiplier and the present day Developing Countries**

The argument of lack of excess capacity no longer holds in the economies of LDCs. There is unutilized capital stock in consumer goods industries in the present day developing countries. Therefore, increase in investment will produce real multiplier effect on increase in output and employment.

6. **Role of Government Intervention:**

Finally, Keynesian policy prescriptions of government intervention in the economy have found evidence of applicability in developing countries. That government should intervene by way of adoption of suitable fiscal and monetary policies to stimulate private investment and achieve rapid growth, has become germane in developing economies. It is important that government should also step up public investment. Contrary to the traditional conception, analysis of empirical data of Indian economy by Krishnamurthy et al find clear evidence for crowding-in-effect of public investment.

Important points to consider in adopting Keynesian Employments model.

1. **Keynes Demand Deficiency:**

Keynes identified two components that made up aggregate demand. These are; private consumption demand and investment demand. According to Keynes, demand deficiency is caused by insufficient private consumption expenditure and private investment demand occurring simultaneously or either of the two at a given time period. It is quite clear then, that not getting adequate analytical and empirical data to determine which of the components is the critical cause of the demand deficiency in the economy, will lead to wrong application of Keynesian policy prescription. Secondly, knowing respective degree of the cause of the demand deficiency, if it is simultaneously caused by both components is also vital.

It then follows that, availability of correct data is a sine qua non for the applicability of Keynesian policy prescription to cure unemployment in Nigeria, and sub-Saharan Africa at large.

2. **Keynes Short-Run Aggregate Supply Function.**
Keynes attention to the short-run aggregate supply function was to enable him solve the immediate unemployment problem that was facing his country. He knew that policy makers were expected to work on the supply side on the long-run. By means of technology and innovation, through R&D, and building infrastructure with genuine and committed development plans, especially governments of developing countries. The question is; had various governments in sub-Sahara Africa particularly Nigeria been sincerely committed to developing the supply side of the economy over the years in this regard? If no, then application of Keynes policy prescriptions on the demand side cannot be fruitful. This is because, the role of government as a variable and/or economic unit in the Keynesian model is very vital.
3. **Autonomous Government**
Closely related to the above point is existence of an autonomous government. Keynes policy prescriptions are predicated on the existence of autonomous government. Okowa in his work, "A General Theory of Development" defined Arthurs Lewiss growth model in algebraic terms as follows:

$$\frac{\Delta Y}{Y} = f\,(WIE, ECI, KNE, CAP, LABL, NRS, GOV)$$

Where:

WIE = Will to Economise
ECI = Economic Institutions
KWE = Knowledge
CAP = Capital
LAB = Labour
NRS = Natural Resources
GOV = Government
Y = National Income or Output
ΔY = change in National Output

He further agued, that Western Economic Theories, their application and consequent successes recorded in western economies, hinged on autonomous government, "In these societies that took part in the various social struggles against self-serving government, this new philosophy of government being organized and operated for National interest is part of their cultural heritage. Such societies are more likely than otherwise to generate governments committed to national development. In addition, government in such societies is autonomous and largely independent of social classes and sub-national groups……… however, for particularly the Negro societies that did not take part in these historic struggles, the primitive philosophy of self-serving government is still the defining ethic of government. The attitude here is that the nation's resources are meant for the use of the governing class. (Okowa 1995:223)

Keynes aggregate demand model **(**Y= C + I + G + (X –M)**),** only considers variables that are measured in quantitative terms, based on the fact that government is predicated to be autonomous. This is not applicable in developing countries, Nigeria in particular where government is not autonomous. Therefore, certain variables that interfere with government actions which cannot be quantitatively measured need to be captured in the model, such as the will to economize, rent-seeking, corruption, prejudice, nepotism among others. The reason is that this factors affect the other variables in the aggregate demand model in great measure and therefore dictates the workability or otherwise of the Keynesian model being discussed.
Nominal scale variables also called dummy variables are variables that cannot be measured in quantitative terms. But these variables significantly influence the regressand in regression analysis (Gujarati and Porter 2009). However, regression models containing mixture of quantitative and qualitative variables are called analysis of co-variation (ANCOVA) models.

SECTION D

Conclusion and Recommendations

This paper x-rayed the Neo-classical school of economic thought, with special attention to Keynesian theory of employment.

Specific focus was centred on Keynes General theory of employment and its policy prescriptions to achieve full employment in the economy.

That contrary to the view of scholars in the 1950s and 60s, modern economists had come to understand that, the adoption of Keynes employment theory and its application in the economies of present-day developing countries such as Nigeria can solve the problem of unemployment.

Recommendations

- The problem of non-availability of data, or lack of accurate and reliable data is an issue to address. A data base that can be easily accessed, correct and reliable for empirical research is needful.
- Secondly, the paper recommends that countries in Sub-Sahara Africa should improve institutional qualities and eliminate corruption.
- Proper policy coordination. Economic policies no longer work effectively in isolation
  Therefore, proper and effective coordination of fiscal and monetary policies in the real sense of it, is also needful for the Nigeria economy to reap fruits of the application of Keynes' neoclassical theory of employment.

REFERENCES

Ahuja, H.L. (2015). Modern Economics S. Chand & Company PUT. Ltd, Kashipur Road, Rudrapur-India.

Akekere, J & Yousuo, P.O.J. (2012) International Journal of Academic Research in business and Social Sciences. ISSN 2222-690 Vol. 2 No. 11 November, 2012.

Akpakpan, E. B. & Umoh, P. N. (1999), Developing Nigerian Economy for an Enduring Democracy: CSA Production Limited, 40, Ladipo Labinjo Crescent, off Bode Thomas Street, Surulere Lagos.

Bhatia, H.L (2006) History of Economic Thought, Vikas Publishing house PVT Ltd., 576 Masijid Road, Jangpuru New Delhi.

Chigbu I. Ezeji & Emmanuel I. AJudua (2015) Determinants of aggregate consumption expenditure in Nigeria. Journal of Economics and Sustainable Development. ISSN 2222-2855 Vol. 6 No. 5 2015.

Gujarati, D.N. & Porter, D.C (2009) Basic Econometrics; Mcgraw-Hill/Irvin/New York-America.

Jhingan, M. L. (2009) Advanced Economic Theory 13th Edition, VRIND Publication Ltd. Mayur Vihar Phase 1 Delhi.

Jhingan, M. L. (2007), The Economics of Development and Planning Vrinda Publications (p) Ltd. Mayur Vihar Phase 1 Delhi.

Krishnamurthy, K, Pandit, VN & Sharma, PD, (1989), Parameters of Growth in Developing Economy: The Indian Experience. Journal of quantitative Economics.

National Bureau of Statistics (Q4 2020 reports) 29th September, 2021.

Ohale, L. & Onyema J.I. (2002) Foundations of Macroeconomics, Springfield publishers, Nigeria.

Okowa, W.J. (1996) How the Tropical Underdeveloped the Negro - A Questioning theory of Development, Paragraphies, KM7 Air Force shops, Aba Expressway, Rumoumasi Port Harcourt.

Onanuga, A.T. et al (2015) Income and household consumption expenditure in Nigeria. MPPR: https://mpra.ub.uni-muenchen.de/33334/MPPR Paper No. 83334, 20th December, 2017.

Todaro, M.P. & Smith, S.C. (2012) Economic Development, Tenth Edition, Dorling Kindersley, PVT Ltd., India.

Historical Dynamics of Economic Thought-Akpakpan's Perspective
Edited by Prof. Jonah Akekere,