Journal of Economics and Sustainable Development www.iiste.org
ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)
Vol.4, No.2, 2013

Market Expansion, Private Sector Growth and Economic Development

Godwin E. Akpan *
Department of Economics, University of Uyo, PM.B. 1017, Uyo, Akwa Ibom State, Nigeria.
* Email of corresponding author: goddyakpan@yahoo.com

Abstract

The rate of growth in economic activities in the private sector and the level of economic development depends on the width and depth of market activities in an economy. Increased in market participation is dependent on a number of co-determinant factors working together. These factors include the level of monetization of economic activities with the resulting boost in the level of specialization (implying a fall in the level of subsistent activities); direct physical development of market; increased in the supply of infrastructure, especially those of transportation and communication; improvement the moral (social) capital of trust among the people in the society; promotion market-oriented policies by the government; among other things. If these factors are adequately available in the economy, jobs will be created through increased participation in income-generating activities, which naturally lead to market expansion, growth in directly productive activities of the private sector, and development. Even though market expansion will result in economic development, market activities must be regulated and given proper policy guide and direction for sustainable beneficial outcomes to be realized.

Keywords: Market expansion, growth in economic activities, government policies, infrastructure provision, economic development

1. Introduction

MARKET is a very important institution and plays very vital roles not only in real-life economies but even more so in the world of abstraction and knowledge construct of economics. Economics, by its various definitions, is a market-based discipline. Concepts that give central meaning to economics are useful only to the extent ofmarket valuation attached to them.Good definitions of economics employspecialized terms like, "scarce means", "scarce resources", "choice", "ordinary business of life", "human wants", "production, distribution and consumption", etc.All these terms have some basic relationships with the market. Economic valuation of resources is determined in the market setting; market provides avenue for exchange of economic goods between economic agents; market supports division of labour to a higher degree and intensifies specialization, with the growth and expansion as gains; market guarantees freedom of choice; market also ensures efficient allocation of resources in an economy. Economic transactions are engaged through the market medium. Market as an institution for exchange directly provides employment for many people (example, the goods shops, banks, stock exchange, exporting and importing businesses, advertising, marketing/sales activities, etc). Market, therefore, enhances production expansion, growth in economic activities and development.

Development of markets has some relationship with (or, better, feeds into andis fed by) the general level of economic development of any society. For the developed economies, market has been so highly developed that it may be taken forgranted. This is not the case with less developed economies, where dearth of infrastructures, subsistence in some economic activities, backwardness in technology,andinadequate market information combined with prevalence of ignorance (low literacy rate) in the use of such informationhave compromised market development and its effectiveness. Transportation and communication infrastructures are very crucial for the development and integration of markets. Lack of such facilities (or their inefficiency) is partly the reason for fragmentation of markets in less development economies. Income variables - level of income per capita, employment level and wage rate, and level of wealth of the people in the society - determine, to a good extent, the level of effective demand in the economy. Income variables, in combination with the population, are therefore what determine the size of the market in an economy or the availability of market for any good, as the case may be.

Market is an arrangement that brings buyers and sellers together for the purpose of exchange. Such an arrangement may be a physical geographical location where sellers and buyers assemble to carry out exchange transaction. Various market places fall into this classification: town/village market (usually named after the place where it is located), shops, supermarkets and departmental stores are good examples.

The interaction of buyers and sellers can also take place through some communication media such as mails, telephone and internet communications. This is a more modern approach to market. The stage of economic development correlates with the form of market arrangement that is dominant in any particular society. Hopkins (1980:52) identifies three classifications of market place and principle combinations and associates them, tacitly though, with the level of economic development of the society. The classifications are:

> First, societies which lack market and in which market principles are hardly present; second, societies which have market place, but in which market principles operate peripherally; and third, societies in which the market place has declined, but in which market principles have become dominant.

Hopkins points out that the first two categories are applicable to African economies, while the last typifies the nature of market in the western industrial economies.

The concept of market is also, very importantly, used in economics to confer the level of demand for a product or even the level of income in the society. The representation of interaction of demand and supply for any product also referred to as market. All these conceptualizations of markets are used in economics under different analytical framework to point to different economic problems. For the purpose of this paper, the markets in which we are particularly interested is the purchasing power - effective demand for commodities and factor services in the economy, and the interaction of buyer(s) and seller(s) through any medium for the purpose of exchanging commodities and factor services. The latter can only be present if there exists demand – purchasing power for the buyers to effect payments for the good service in demand.

Market development cannot be untangled from the stages of (capitalist) economic development. Such stages include the evolution from subsistent society of various levels through individualistic capitalism that gained impetus from the spread of division of labour and specialization. It advanced to capitalist industrialism, and which in turn evolved into what is regarded by some scholars (with socialist inclination) like Eskor Toyo (2001:3) as modern imperialism. With advances in development stages, and characterizing them, are changes in business ownership structure, market structure, scale of production, and market penetration level. Business ownership has progressed from sole proprietorship and partnership to joint stock companies - some of which are multinational in the spread of ownership. Market structure accordingly has changed from pluralistic individualism of perfect competition to large oligopolistic organizations and monopolies. The form of business ownership changed to accommodate the existence of large-scale business plants, which gained advantage from modem mechanization of production activities birthed by industrial revolution of the 18th century. This mass production led to inventory stockpiling and aggressive expansion in market which adopted the mode of adventurous international mercantilism and later evolved into imperialistic acquisition of markets. Supported by state power, fascist nationalistic interests, and even covered with some form of national religious zeal, colonialism and neo-colonial market relations have been founded on, and defended with, state's imperial military and political mights. Thus, the state has always been interestedly involved in market development in any economy, and sometimes even directly so.

The question that this paper sets out to answer is, basically, how market can be developed or expanded to pave ways for private sector expansion and economic development in the Nigerian economy that is tending toward emphasizing private sector-led economy with light but supportive government participation. The development of this paper is in four sections after this preliminary section. The next section is devoted to issue in the relationship between market and economic development; while sections 3 focuses on approaches to market expansion. Section 4 is concerned with engenderment of private sector growth through market expansion. The last section, 5, provides conclusion to this paper. This paper adopts a theoretical approach in the exposition.

2. Market and economic development

Market is essential for economic development to take place. This is because development is not just a mere function of static provision of infrastructures and amenities, but also of the social relations that evolve in the growing social system that lead to improvement in level of social welfare. One of such social relations is the exchange of goods and services among economic agents which takes place in the market. The volume and value of such transactions determine (but not equal to, normally greater than) the level of output in an economy as measured by the gross domestic products (GDP) or gross national product (GNP). Market sets the limit to specialization; and specialization at whatever level - individual, industry, or geographical region - generates growth in output and opulence in the society. It is not necessary to attempt the tracing the original of market, an exercise, which Hopkins (1980:5) compares with the political philosophers' futile efforts at tracing the origin of the state. Adam Smith (1776, 1937:13) alludes to trade and exchange as the natural propensity in human that come about because of human pursuit of individualistic, welfare. The regard for self-interest which enhanced division of labour and specialization and is it that also leads to trade and market development.

> It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their self-interest. We address ourselves, not their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.

It is the inside the matrix of self-interests that division of labour, specialization and trade (and market) are founded; none of these processes or media was founded by human wisdom -like most early man's important inventions or discoveries, they were accidental but advantageous discoveries.

Specialization and markets are closely and functionally interrelated. Division of labour and specialization are possible when the market for the exchange of the goods is available. As noted in the founding discourse of division of labour by Adam Smith, the extent of market set limit to division of labour. Large markets for products support expansive and intensive specialization. The size of the market depends mainly on two factors, population and income. A small population of people with a higher income may have higher demand than a even a large population *with* a poorer income. Both population and income can be increased by removal of geographical and political barriers to trade. This is not referring to the benefits of trade that would result in growth in income; rather it is the extension purchasing power and increase in the population which the removal of trade restrictions brings. If political, territorial and geographical boundaries were not in place, the market would have been extended *ab initio,* and specialization and trade would also extend beyond what obtains in bounded state situation.

When trade (implying division of labour and specialization) had taken place *it* is gainful to the society because exchange of goods and services among people enables them to operate beyond their pre-trade welfare boundaries. These extensions in consumption and welfare frontier accrue from the willingness of those with net demand to pay a higher price than the pre-trade terms of trade of the net supplier. The willingness to offer higher than pre-trade price actually comes from the difference in relative valuation of the commodities, which is as a result of difference in natural and material endowment, and difference in taste among economic agents. Once people are differently endowed with primary and processed resources, their valuation of the resources will be lower the higher their endowment relative to others; and those with higher endowments will enter into profitable trade by offering some quantities of such endowments or commodities produced from them in exchange for the goods with which they are less endowed. Although it is an agreed economic assertion that trade may be hurtful to some factors and sectors, when such losses are laid against the benefits by others, it is an irrefutable knowledge that trade has net benefit to the society as a whole. Since the society's welfare and production frontiers shift outward with trade, employment and productivity would have increased. Market expansion, therefore, extends the production possibility curve for a nation.

Trade generally leads to growth in output due to increase in total factor productivity (TFP) (Havrylyshyn, 1990). Change in total factor productivity is the ratio of change in total output to the change in total factor employed, assuming technological change is constant. It can also be expressed as the ratio of TFP_t to TFP_{t-1} (Antle and Capalbo, 1988). This ratio, which can measure growth in output and therefore improvement in economic performance, is positively influence by the availability of market and trade, which intensify, and are intensified by, specialization. The growth in TFP due to specialization and market expansion is often attributed to the reaping increasing returns.

Market expansion in an economy has two-way effects on public finance (government revenue and expenditure plan). On receipt (credit) side, by expanding the scale and scope of monetized economic activities, tax base in the society is increased for the government. If well planned and managed therefore enhancement of market growth in any sector can foster increase in tax revenue accruing to the government. Turning to the opposite pole, the expenditure (debit) side, market expansion increases the demand for infrastructural services and for maintenance of law and order. Both the business and household sectors place these demand on the government as economic activities expand. The increase in opportunities (tax base) for revenue generation creates, within the nexus of the same growth process, the vent for expending the value generated for further growth to occur. Market expansion is mutually, beneficial to the government and private sectors; and it reinforces their interdependence. The market is thus a medium through which both the private and public sectors co-operate and are mutually supportive of each other in the process of development. It is conceivable that once the market economy develops, there is an in-build mechanism whereby infrastructural supply would create its own demand. That is, the costs of such social and economic infrastructures (government expenditure) will be recoverable through the growth in tax revenue brought about by market expansion.

Provision of infrastructures in an economy passes through the production cost function to influence positively the expansion in output in an economy and hence, the expansion in markets. Thus, given a production function with private inputs in combination with public inputs (infrastructures) the total output and the total factor productivity will increase, the greater the supply of infrastructures available to the production units. That is,

$$Q = f(x_p, x_u) \qquad \text{..} (1)$$

Where x_p is a vector of private factor inputs e.g., land, labour, capital, raw materials, and energy;
x_u is a vector of public-sector supplied factors, infrastructures, namely, roads, rail and water transportation infrastructures, electricity transmission facilities, communication infrastructures, and civil order, (all of which have some qualities of a public good better supplied by the government).

$$\frac{\partial Q}{\partial x_u} > 0; \frac{\partial x_p}{\partial x_u} \neq 0 \qquad \text{...} (2)$$

Whereas the relations in equation (1) offers the technical relationship between the private market inputs, x_p, and public infrastructures, x_u, equation (2) indicates the effects and directions of such relations. As long as increased supply of infrastructures available to private sector production units and their usage results in growth in output, investigating the effect of such output growth on the cost function means that the cost per unit of output will fall (that is, $\partial C/\partial Q < 0$) because of the cost-reducing effect of infrastructural services on production costs ($\partial C/\partial x_u < 0$). This simply explains the mass production, job creation, employment generation wealth creation and market expansion brought about by effective provision of infrastructure.

Transportation and telecommunication infrastructures offer interregional accessibility of communities that have comparative advantages in production of some goods and engender the supply of such commodities to relatively poorly endowed neighbouring regions (Bergman and Sun, 1996: 18). Supply of infrastructure leads to market expansion in three major ways: first increasing the productivity; secondly, saving transaction costs, thus increasing the purchasing power in the economy; and thirdly, through integration of geographical regions. Kessides (1996: 214) observes two ways that infrastructure investment can lead to output growth as:

(i) Infrastructure services are intermediate inputs to production, and any reduction in these inputs costs raises the profitability of production, permitting higher levels of output, income, and/or employment;

(ii) infrastructure services raise the productivity of other factors. . . infrastructure is thereby often described as an 'unpaid factor of production', since its availability leads to higher returns obtainable for other capital and labour. The existence of infrastructure in a given location may attract flows of additional resources ('crowding-in' private investment), this can lead to reduced factor costs and transaction costs at site.

In both cases, there will be growth generation by ways of increasing aggregate supply and demand.

Apart from the domestic effect on productivity and costs, availability of infrastructure enhances the competitiveness of domestic goods in the international markets. Supply of infrastructure is therefore an avenue for creation of international market outlets for goods, since goods from an economy that is adequately supplied with infrastructures can command lower relative prices than those from infrastructural shortage economies. This means that adequacy of infrastructure is an additional requirement for the proof of existence of comparative advantage – the definition of factor endowment need not be restricted to natural factors and private factors alone. This same assertion can be made of regional trade within a country.

In general, rural roads, which link markets with the farms, are proved to be improving marketing opportunities, and reducing transaction costs and wastages. As Beenhakker, (1987) observes, if the transportation problem is catered for in rural agriculture, the final price agricultural product can fall by about 43 per cent, since 25 - 60 per cent of the final prices are attributed to transportation costs. Besides, given that infrastructure supply enhances the productivity of labour (Kessides, 1996), it increases the earning capacity of labour and, therefore, the demand for goods and services in the economy.

The conceptual issue in productivity-cost relationship with infrastructural supply has a lot of implications for the Nigerian economy. Lee and Anas (1991) Uchenna (1993) and Adenikinju (2005) have observed the negative impacts of poor supply of electricity on various cost components in the economy and concluded that it has very high negative effect on costs of production. One major factor that makes the Nigerian economy to be less competitive in international profitability assessment is her poor quality and quantity of stock of infrastructures.

3. Market development and transmission of economic signals

An Economic incentive consists of economic opportunity that favourably alters the relative costs of economic activities undertaken by economic agents. The incentive to undertake any economic activity by a producer or consumer is measure by the net unit of gains that undertaking such an activity would yield to the agent. Market valuation of economic resources and services with the use of prices helps economic agents to determine the level of incentive (net gain) available to her. Market mechanism, by providing economic agents with prices and absorbing into the prices the costs of economic activities offers an indispensable medium for transmission of incentives to participating economic decision units in economic development. Even in a planned system, though it may appear that the market is not important in a strict command system, yet prices are the basis of choice among the uses of resources, the choice among methods of production, and the basis for time preferences attached to choices.

Transmission of economic signals is handled by the market. Thus, market plays an important role to producer, consumer and the government. Private economic agents optimize some market-related (or market-measured) goals, namely the profits for producers and utility or welfare for consumers. The government, when intervening in the economy using policies has to understand the channels of the effects of its policies on the producing and consuming agents. These channels are mostly market-based. The level of market development therefore determines the scope of spread policy effects across the economy. Willingness to pay (taxes) for government services is also a market question since such willingness is conditioned on individuals expected return from such payments. The issue of market transmission of signals is gaining renewed interest with the spread of market system paradigm in globalization.

Now, more than was the case in the 1960s through 1970s, there has been a deep-seated renewal of trust in the ability of the market to allocate resources in an economy. In the going dispensation, government interventions in economies are more appealing and acceptable if they are more market-related and less regimentary. This invariably means that government policies require more developed market medium through which to disseminate their effects into the economy. This has been the reason why policies of privatization and deregulations of credit markets have had as one of their policy objectives the development of capital and financial markets. The IMF-World Bank deregulation policies are market-oriented policies; and through the use of their research publication outlets, economic thought of the 21st century have been seriously tended toward indirect government policies that pass through the market to affect economic activities (King and McGrath, 2004).

3.1 Approaches to market Expansion

Direct creation of physical markets in a geographical location. In a dual economy, where the subsistent sector coexists with a commercial sector, expansion of commercial economic activities can be achieved through establishment of a localized market institution with sheds, stalls, shops and stores meant for trading activities. At the early stage of development, such market places were not daily markets; they were functional only on some specific day in the week but as the volume of economic activities in the communities served by the market increase, the number active market days was increased. The creation of market places offers some assurance that if anyone produces more than his need there is a market outlet.

Apart from the effect of enhancing the volume of real commodity trading activities which creation of a market place has, the creation also has expansionary effects on other sectors (e.g. the investment and financial sector) in terms of the increase in the volume of trade and employment generation. Opening of branches of banks and the stock exchange in any area usually has the effect increasing savings and raising investment in stocks. This has been partly observed as the reason why many people in western Nigeria invest in commercial stocks and government bills than those from other parts of the countries.

Provision of transportation and communication infrastructures. Another very important means for achieving market expansion is to embark on coordinated provision of transportation infrastructure. This enhances contact among people and reduces distance between place, thus welding together otherwise isolated market and even opening new market opportunities if the societies linked with such infrastructure specialize in the production of different commodities. The provision of functional telecommunication network, just like the transportation infrastructure, can go a long way in increasing business opportunities (market). Sales, contracts and other business transactions can be carried out using telephones and internet. Besides, the use of telecommunication and ICT is cost-saving and risk-curtailing, increasing of the rate of profitability in businesses. Lack of such facilities or their inefficiency would raise transactions costs by ways of increase in transport expenses, increase in search costs, and high occurrence of arbitrage and speculative activities, with all their adverse effects on growth and development.

Creation of employment and income generation opportunities. Market in economics may also be reckoned as the purchasing power of the people in a society. This is because income level of the people is a clear indicator of their effective demand. Creation of income generating opportunities is therefore a necessary way of expanding the market. How can income be generated? - By creating employment. And how can we create employment? It is not just through creation of employment opportunities alone; it involves cultivating investment habit among the people - this entails encouraging people to take risk and venture into business, that is, becoming entrepreneur. Creation of employment also requires the provision of the right economic environment that minimizes private costs of doing business. Under deregulated situation, the government must provide economic infrastructure – roads, rails, ports, electricity and telecommunication, ICT infrastructures – while the private sector, guided by available incentives, undertake profit-generating businesses. The business sectors in turn pay taxes which are used for the maintenance and expansion of supply infrastructures, and the maintenance of law and order.

Another very important factor for consideration in contemplating creation of employment is the need for acquisition of appropriate skills and requisite knowledge. Economic system is dynamic, so the knowledge that must drive the system must be adaptably more dynamic. In a developing country like Nigeria, many graduates are not employable because they have obsolete knowledge (Ekpo, 2006). In order to create employment, educationists must design curricula that reflect contemporary technological needs of the society and train people who can create or add value in the production process; people whose costs of orientation and placement on jobs at employment must not put the business sector at competitive disadvantage. This requires a sound education system whose curricula are responsively reviewed in accordance with the needs of the society. Besides, there is a need for a change in orientation and perception of what represents employment and upholding the dignity for labour. That is, a job must be viewed from the value which its execution adds to human well-being both at the employer's and the employee's ends (informs of productive value-addition for the employer and equitable income (wages) earned by the workers). In some developing countries, some jobs, especially direct labour, are despised by the society, thus creating undue superiority of some sedentary, bureaucratic jobs over the blue-collar jobs. Removing the fear of social shame in taking up some jobs could enhance employment generation and ease income creation process. This will enlarge the market and widen investment opportunities in the private sector.

Creation of employment in rural economies is also an important avenue to extending market in a development economy such as in Nigeria. Harbouring about 60 per cent of country's population and 80 per cent of poor, the rural area in Nigeria can become a very large market if employment generation and income creation opportunities are provided. One of such measure is the provision of transportation linkage roads between the rural and urban centres. Another, still on infrastructural provision, has to do with the supply modem amenities that would enhance employment in the rural areas. For example, provision of electricity can lead to opening of small scale businesses in the rural centres which ultimately would boost income and deepen the market capacity of rural areas.

Strengthening of trust and moral capital base. Good social relationships that generate trust and minimize fears of being defrauded engender peace in the society; and peaceful society with low incidence of crime and conflict generally provides conducive social milieu for growing businesses and, invariably, for market expansion. Since business interactions are mostly based on trust, Nigerian government and people have a lot of work to do in the campaign to restore honesty, trust and social confidence that would give the required social security for commitment of capital into business. Nigeria communities are very friendly society, which is a moral asset for market expansion and investment growth; nevertheless, there is a need to promote social ideals of truthfulness, peace and honesty in relationships. The institutions for propagating these social virtues remain the family, the religions organizations, the schools and some non-governmental/community-based organizations (NGOs and CBOs). The government must face the issue of accumulation of moral capital, which entails reduction in corruption level, as a very serious issue on which the success of other policies depends. And this can be better achieved through leadership-by-example style of administration.

Monetization of economic activities, increased spread of market information. Market can also be expanded in Nigeria through the monetization of presently non-monetized economic activities and commercialization of subsistent activities. This can be achieved through some of the measure addressed earlier in the paper, namely, provision of transportation linkage infrastructure between the rural and urban centres, and other measures directed at rural market expansion. The intensification of banking activities and the spread of such activities among the people in the economy will certainly lead to monetization of the payments in the economy. It will create financing opportunities also. This definitely extends the market within an economy as subsistent activities will become monetized and commercialized. Monetization of economic activities leads to specialization which raises output and income and expands the effective demand (Seavoy, 2000). Monetization can be achieved through mass media, mobilization and provision of information on market opportunities for economic products that do not have access to markets.

Adoption of market oriented and market supportive policies. Generally, the government should adopt market-oriented policies. Such policies are those whose effects permeate the economy through the market. This will impact positively on the market through which the policy is initiated. The bank reforms and consolidation in Nigeria has impacted positively on the expansion of capital market at the two tiers of the markets. Similarly, government privatization policy has enhanced the growth of activities in the Nigerian Stock Exchange in all respect. The method of financing fiscal deficits through the issue of debt instruments during the deregulated period has also contributed to the growth in the financial markets. Government deregulatory economic policies have had some growing effects on money and capital markets, increased the engagement (and therefore the expansion) of private consultancy, expanded private sector investment and led to expansion in market activities and development in general.

Information, Data and Market Expansion. Apart from the manifestation of market imperfection as fragmentation of different forms and the coexistence of non-market subsistent sector with the commercialized sector, there is also imperfection caused by inadequacy in the flow of market information. Inadequacy of information required for development purposes is a common problem in African development literature (Adamu, Ajiferuke and Ogunkola, 1998). The problem of lack of market information and data, which, of course, is part of the general dearth of information in LDCs' economies, is associated mostly with informal economic activities (Adamu, 1997). This lack of data has inhibited the success some business with negative impacts on size of market in the LDCs. A cyclical chain of relationship exists between the level of market development economic development and level and adequacy of data existing. Low level of market development is a constraint to development (growth in employment, output and income); and shallow market (with dominance of informal activities) brings out poor data for with adverse effects on investment and economic development. Improvement in the quality of data can boost confidence of the business sector by offering reliable data for the prediction of economic performance. Such reliable predictions will reduce business failure and therefore guarantee growth in investment and expansion in market activities. Apart from reliability of data, the ease of access to such information is also a booster to business and market expansion.

- It opens up firms marketing opportunities - consumers having market information make decision about the purchase of such products without much obstacle.
- Some marketing activities may be taken away from the producing organizations' business profile and performed by different firms because the costs and risks are reduced by the improved supply of infrastructures. This will reduce the scope business risk borne by both the producing and the distributing firms. And consequent upon the specialization that evolves, employment output, income and markets will expand.
- It increases the participation of the private investors in economic activities. For instance, private transporters and marketing firms are likely to emerge as a result adequate supply of transportation infrastructures.

All these points, on the whole, lead to increase in producers' and consumers' returns in terms of increased profits due to lower costs and risks on the part of producers, and higher welfare due to fall in prices and transaction costs for the consumers.

4. Engendering private sector expansion via market development

With the expansion in the size and scope of markets in the economy, specialization is deepened and spread in economic relations, and levels of employment and income are enhanced. This process is not as smooth as predicted here: there are some obstacles which must be overcome, especially at the early stage of economic development, to facilitate speedy growth in investment even as the markets are expanding.

Income depressing forces associated with extended family should be minimized using some social welfare policies that take away some socials responsibilities pertaining to child health and educational needs and old age social insurance from the workers. Youth empowerment through creation of education financing schemes such as scholarship funds, bursary allowances and commercial scholarship/human development loan schemes will, in the long-run, enhance income generation opportunities and strengthen purchasing power. These are primary issues in the development of market that government policies must directly or indirectly tackle. It is not too much to consider that the Nigerian governments at different levels can very well design and dispense effective child health-care delivery. It is realizable economic responsibility to conceive of the government providing qualitative and relatively free education to children up some basic level. Old age care can equally be provided. Nigeria's resources can provide these needs, which would actually strengthen the workers' purchasing power as the immediate effect, but would also on remote consideration, expand the future market when those educated procure jobs. By guaranteeing sustainable income among the working class through such government policy thrusts, private business will naturally spring up to take advantage of the observed business opportunities.

The wage rates in Nigeria are currently still so low that workers cannot take any reasonable loan from the money market or negotiate credit purchases of some capital goods. A typical Nigerian graduate worker cannot buy a new car and be able to pay up in eight years even if it is assumed that she starves to pay the loan (although car loans and credit sales deals usually have amortization period of five years). Organizations in the business sector are making the huge profits partly because labour costs are very low in Nigeria; while the low pays for workers in the public sector offer the public sector administrators large outlays of surplus funds that they appropriate to their private individual accounts through graft. Thus low public sector wage rate accounts for availability of funds to service large-scale corruption among the leaders in the public sector. The issue in view is that good pay to worker is an important factor in market expansion, especially for capital goods that require large outlays of expenditure. It is also a way of expanding credit market because more and more workers can raise loans to buy capital goods like cars, houses and some household equipment. If income is enhanced through improved wage rates, offer of loans and credits to workers would be less fearful of default. This would pave the way for increased market activities and growth.

Although market expansion could impact directly on investment growth, in most cases it would rather have delayed and indirect effect on investment. Investor will have to observe and ascertain that the increase in demand is likely to be sustainable before hiring factors of production into such activities. Besides, when there is a surge in demand, a better risk management option would be for the business people to contemplate importing the product rather than embark on opening up factories to produce such goods. The risks are more in a developing economy where infrastructures are unreliable, government policies are unpredictable and economic environment is very insecure. These risky factors require government policy intervention to remove or mitigate them. Even as markets are expanding, policy incentives are required to encourage investors to establish factories which require longer term commitment of capital and other resources than the cargo arrangements. Tax holidays are important incentive in this direction. Provision of reliable infrastructure must be reiterated as incentive that reduces costs of doing business and increases the competitiveness in the business environment.

Again, even though business failure is the price that investors have to pay for not being efficient, the occurrence of such failure in a developing economy is not exclusively due to mistakes by business people; some are merely the result of volatility of a developing economic environment. There is a need to protect business against such losses accruing from capricious business environment. This can be done through encouraging businesses to undertake insurance policies that cover erratic business failure. Premiums on such policies should be charged to the profit and loss account, increasing costs and reducing taxes on business profits.

Some long-term core industrial projects still would require public sector partnership to guarantee safety of and incentivize private investment. Even under deregulation policy, the government still needs to provide some leadership incentives and funding in cases where private investor may be reluctant in committing investible funds. Nevertheless, since government is not a good businessperson (because of agency problems that trail its involvement direct economic activities), such direct participation should be short-lived: just to motivate the private sector into the business. As soon as that is achieved, the government should privatize its shares and continue to provide other incentives.

The direction of growth of any economy is to a great extent, dependent on the direction of government policies - the sectors on which policy emphasis is laid, the type of supports given to the sectors, and availability of information on investment opportunities. The government should not only provide investment incentives in the economy, it should also ensure the dissemination of information concerning the markets for output and inputs, the incentives given by governments, investment funding and partnership opportunities, etc. Mass media should be use to encourage risk-averse people to undertake investment. The public-private sectors partnership should not be seen exclusively as that which the government levies and collects taxes uses the proceeds to provide infrastructures and congenial economic and socio political environment while the private sector provide the private (and quasi-private)goods. In a developing economy such as Nigeria, the government must ensure the intensity of responsiveness of the public to economic policies by providing some information that would enhance investment growth. Government should be the facilitator for market expansion and development.

Market development should also be seen as spatial economic interaction among economic agents within a country and among countries. This spatial business interaction depends on the level of peace and security of lives and property existing in any country. No businessperson takes his business portfolio to conflict flash-points. Nigeria has been experiencing several civil conflicts since 1980s – some religious, some tribal, some communal, others political, youth, labour/trade and student union (and campus cult) conflicts. There are many reasons for the repletion of conflicts in Nigeria: distortions in resource control and revenue allocation, prevalence of dualism of abject poverty and conspicuous affluence, palpable inequality, low wage rate, religious intolerance, electioneering malpractices, corruption and injustice, illiteracy, unemployment, poor governance, weak institutions, etc. Nevertheless, the costs of frequent conflicts leading losses of life and properties are also represented as a fall in economic activities and income in the affected communities, capital flights and emigration of labour from conflict-ridden areas. Generally, conflicts in any place impair market growth and economic expansion in such a community. Resolution of conflicts by removing the causes will without doubt enhance market expansion and engender development.

5. Conclusion

Market is a very important economic institution that shapes the economy of any nation and of human community generally. The more developed markets are (especially for a markets-oriented economy), the more developed the economy is likely to be. Market availability is important for social growth of specialization with all the attended gains to society. Employment, investment and income grow with the widening and deepening of market activities. The poor and subsistent society with organized government should not wait for markets to develop on their own. There is a need for government to use its expenditure and revenue policies to foster market development in less developed economies. Provision of communication and transportation infrastructures by the government can expand or even create market and generate market-oriented incentives for investment. Nevertheless, it is essential that, apart from the market incentive of improved profitability brought about by demand expansion, the government should offer some information concerning business opportunities to potential investors so as to facilitate rapid investment expansion and development.

Every economist believes that the government has a role to play, intervening in the economy. However they hold different positions in opinion regarding the scale and scope of government intervention in the economy. Those at the capitalist ideology end believe that light government intervention with fiscal, monetary and trade policies can correct some malfunctioning of the market and/or provide a levelled field for effective functioning of the market. Here, the belief is that the government can, by providing appropriate policy incentives, make the market participants (economic agents) to perform optimal rational roles that would guarantee rapid transformation and/or stabilization of the economy or sector(s) thereof. These incentives are mostly assumed, especially by the western-oriented economists, to work through the market processes to bring about the desired corrective policy goals. Take, for instance, the case of variation of tax rates, or change in the quantity of money, or the supply of infrastructure. It supposed that the level of demand for goods/services will change due to the effect of tax on income earned (in the case of direct taxes) or on the purchasing power of such income (for indirect taxes); or that the financial cost of doing business will be altered through the change in interest rate associated with variation in quantity of money; or that the overhead costs per unit of output will fall with expansion in infrastructural supply. These policies presuppose the existence of a developed network of markets for goods and service as well as for investment and money. The gains from these government policies are fully realized in market-settings, and the level of market development is also crucial to their achievement.

Generally, market expansion is linked to income-generation capacity of any economy. As economic activities increase, employment opportunities are created, income is generated, market expanded, and development is a sure outcome of this process. These chains of effects and linkages, however, depend on definitive execution of the right control and regulatory functions and policies by the government. Market appeals do not suggest its unfettered operation; nor does government regulation make a case for its command: both extremes have the potentials of woeful failure and undermining of development process through excessive exploitation or by excruciating corruption. Market expansion aided by the right governmental policies regarding infrastructure, redistribution of income, job-creation growth and economic incentives will necessarily lead to growth in the private sector activities and development of any nation.

References

Adamu, S. O. 1997. *National Accounting in a Developing Country: The case of Nigeria.* Ibadan: SAAL Publication.

Adamu, S. O., I. S. Y. Ajiferuke and E. O. Ogunkola. 1998. Improving African economic statistics. *AERC Special Paper*.No. 33.

Adenikinju, Adeola. 2005. Analysis of the cost of infrastructural failures in developing economy: The case of electricity sector in Nigeria. *AERC Research Paper*, No. 148.

Akpan, Godwin E. 2006. Issues in empowerment and development. In: Akpan, Godwin E. and C. N. Ekong (eds.) *Youth Empowerment for Sustainable Development.* Uyo: Minders International Publishers.

Akpan, Godwin E. 2006. Structural obstacles to gains from economic reforms in Nigeria. In: The Nigerian Economic Society. *Costs and Benefits of Economic Reforms in Nigeria.* Ibadan: NES.

Antle, John M. and Susan M.Capalbo. 1988. An introduction to recent developments in production theory and productivity measurement. In: Capalbo, Susan M. and J. M. Antle (eds.) *Agricultural Productivity: Measurement and explanation.* Washington, D.C.: Resources for the Future.

Beenhakker, H. L. 1987. Issues in agricultural marketing and transport due to government intervention. *Transportation Issues Series – Discussion Paper No. TRP7*. Transportation Department, World Bank, Washington, DC.

Bergman, E. M. and D. Sun. 1996. Infrastructure and manufacturing productivity: Regional accessibility and development level effects. In: Batten, D. F. And C. Karlsson (eds.) *Infrastructure and the Complexity of Economic Development.* London: Springer.

Chhibber, Ajay. 2000. Social capital, the state, and development. In: Dasgupta, Partha and I. Serageldin (eds.) *Social Capital: A multifaceted perspective.* Washington, D.C.: World Bank.

Ekpo, A. H. 2006. Child-labour, child/teenage prostitution, youth illiteracy and unemployment in AkwaIbom State, Nigeria. In: Akpan, Godwin E. and C. N. Ekong (eds.) *Youth Empowerment for Sustainable Development.* Uyo: Minders International Publishers.

Havrylyshyn, Oli. 1990. Trade policy and productivity gains in developing countries: A survey of the literature. *The World Bank Research Observer.*5(1): 1 – 24.

Hopkins, A. G. 1973. *An Economic History of West Africa.*(Fourth Impression, 1980). London: Longman Group Ltd.

Kessides, Christine. 1996. A review if infrastructure's impact on economic development. In: Batten, David F. and Charlie Karlson (eds.) *Infrastructure and Complexity of Economic Development.* London: Springer.

King, Kenneth and S. McGrath. 2004. *Knowledge for Development? Comparing British, Japanese, Swedish and World Bank aids.* London: Zed Books.

Lee, Kyu S. and Alex Anas. 1991. Manufacturers' responses to infrastructure deficiencies in Nigeria: Private alternatives and policy options. In: Chhibe, Ajay and Stanly Fisher (eds.) *Economic Reform in Sub-Saharan Africa*. Washington DC: World Bank.

Seavoy, Ronald E. 2000. *Subsistence and Economic Development.* Westport: Praeger.

Sen, Amartya. 1984. *Resources, Values and Development*. Massachusetts: Harvard University Press.

Smith, Adam. 1776. *An Inquiry into the Nature and Causes of the Wealth of Nations* (Modern Library Edition, 1937). New York: Random House Inc.

Toyo, Eskor. 2001. *Delusions of a Popular Paradigm: Essays on alternative path to economic development.* Ibadan: Nigerian Economic Society.

Uchenna, Okorie A. 1993. Economic cost of electricity outages: Evidence from sample study of industrial and commercial firms in Lagos area of Nigeria.*Central Bank of Nigeria Economic and Financial Review.*31(3), 183 – 195.