Increase in Per Capita Income:
An Indication for Economic Development?

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Abstract
One of the important factors in the analysis of any nation's economy is per capita income. It reveals among other things whether the nation's economy is growing or static. The question whether increase in per capita income signifies that there is economic development is a major concerned of this paper. The method of analysis includes the use of tables, percentage and graphical methods. The reason for the choice of this method is to give a vivid picture and direct comparism of Nigeria per capital income and some other countries in the world, notably among them is the USA, South Korea, Malaysia, etc. However, the study reveals that there is a positive relationship between increase in per capita income and level of economic development, taking into consideration core variables of economic development such as reduction in unemployment rate, poverty level and income inequality level etc. In revamping the economy of Nigeria in terms of economic growth and development, there should be direct investment with massive infrastructure to reduce unemployment level, slash the expenditure on unproductive ventures such as political rallies, campaigns, unjustifiable transfer payment etc. Sacrifice of current consumption as a nation for capital formation /investment. This will increase the national income thereby enhancing the per capital income of the economy.
***Keywords:* .Per capita income .Development .Poverty .Unemployment .Economy**

INTRODUCTION
It appears that per capita income is the most widely used measure of the level of economic development and as such it influences numerous important economics decisions. The purpose of this paper therefore is to find out whether increase in per capita income signifies economic growth and economic development. Though much has been said about economic growth and economic development in related topics, but for this particular question, we shall examine the meaning of per capita income and economic development with some empirical evidences in comparing the per capital income of Nigeria and other countries followed by summary and conclusion.

Overview of Per Capita Income and Economic Development
Per capita income means Real Gross Domestic Product (RGDP) divided by the population figures of a country in a given period of time usually a year

$$\text{Per capita income} = \frac{\text{RGDP}}{\text{Population}}$$

GDP on the other hand means the total value of goods and services produce by the resident citizens of a country and the aliens residing in the country minus the goods and services of the citizens of that country living abroad, in a given period of time usually a year. In other words, it is the value of goods and services produce by the residents of a country irrespective of the nationality. According to World Bank Development indicators (2011), GDP at purchase price is the sum of gross value added taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Traditionally, economists have made a little distinction between economic growth and developments using the term almost synonymously. Economic development can be a complex multi-dimensions concept involving improvement in human wellbeing. However, Kuznet (1973) cited in Udabah (1999) defined a country's economic growth as "a long-term rise in capacity to supply increasingly diverse economic goods to its population, this growing capacity based on advancing technology and the institutional and ideological adjustment that it demands".

Critics point out that GDP is narrow measures of economic welfare that do not take into account important non-economic aspect as more leisure time, access to health and education, the environment, freedom or social justice. Economic growth is a necessary but insufficient condition for economic development. Todaro (1986) highlights these three objectives of development:

- Producing more life sustaining necessities such as food, shelter, and healthcare and broadening their distribution.
- Raising standards of living and individual self esteem.
- Expanding economic and social choice and reducing fear.

Empirical Evidence of GDP Per Capita Income: U.S.A and Nigeria Compared

In this section, efforts will be made to have an empirical view of GDP per capital income of United States of America (USA) and that of Nigeria as well as that of selected African Countries

Table1.1A **GDP PER CAPITA INCOME/ CURRENT INTERNATIONAL ($)**

YEAR	**USA($)**	**NIGERIA(₦)**	**EXCHANGE RATE (₦ TO $)**	**PER CAPITA INCOME IN (₦)**
1980	12,180	790	0.55	430
1986	18,429.3	780	2.02	1580
1990	23,040	1020	8.04	8230
2000	35,080	1300	102.11	133080
2009	45,410	2230	148.90	332,390
2010	N.A	2370	150.30	355760
2011	N.A	2533.05		

Source: *World Bank, World Development Indicators (WDI) updated March 2, 2011 and own calculations. N.A-not available*

Looking at the data of both countries in the table 1.1A, increase in per capita of USA is higher than that of Nigeria considering the period under review. In 1980, later part of the era of direct control where monetary instrument were determined and fixed by government, per capital income of USA was $12,180 that of Nigeria was $790 and ₦430 as in naira equivalent. This was when the value of naira to dollars was below one naira (₦1). Then, the disparity between the value of the per capita income that year was extremely large. From 1986 till date is the era of the indirect control, a period that was characterized through market based instruments. The Babangida administration under pressure from the International Monetary Fund (IMF) and the World Bank launched the Structural Adjustment Programme (SAP) which was adopted in July 1986 against the crash in the international oil market and the resultant deteriorating economic condition in the country.

From this period, the value of exchange rate in naira to dollars depreciated from ₦ 0.55K to ₦2.02K per dollar ($). The per capita income from 1986 to 2009 in both countries shows an increase with a wide gap in the level of per capita income of the period under review. For instance, in 2000 while USA per capita income stood at $ 35,080 that of Nigeria was $1300 (₦133,080). In 2009, USA per capita income stood at $45410 while that of Nigeria was $2230 (₦332,390). The further depreciation in the exchange rate of naira to dollar resulted to high per capital income, when the value of the Purchasing Power Parity (PPP) GDP per capita income is converted to naira. This was one of the notable causes of inflation in Nigeria (imported inflation) during the era of indirect control (Aigbokhan, 1995).

The accelerated depreciation of the naira since 1986 led to a higher price for a given volume of imports and has on the other hand resulted in accommodating increases in the money supply to finance the given volume of imports with foreign prices ($) unchanged. In the practical sense, the living standard of the people in USA is also higher than that of Nigeria. This appears to be true viewing the unemployment rate of 7.6% and 23.9% of USA and Nigeria respectively. Another fact is the poverty line that is above 60% in Nigeria. The 50% graduate jobless rate in Nigeria shows that poverty and unemployment are still very rampant compare to U.S.A (Punch, 2013).

From these empirical evidences, it seems that increase in per capita income signifies economic development.

Per capita income (USA & Nigeria in graphical Representation)
Per capita income

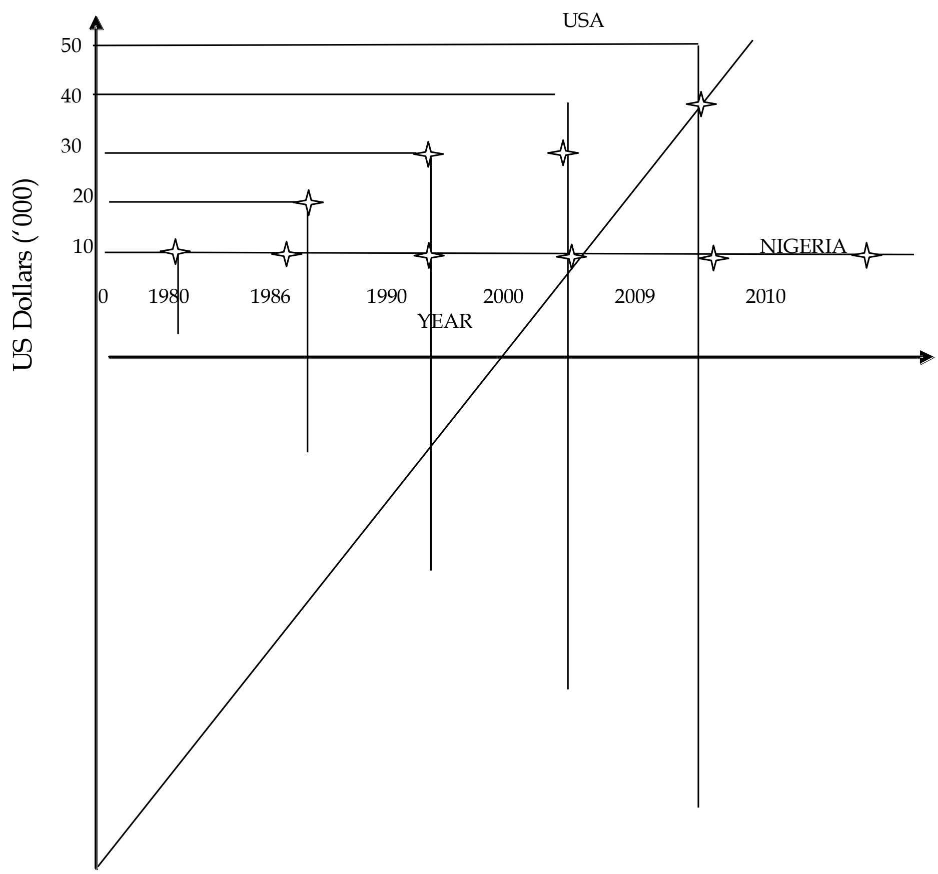

Table 1.1B

Further comparison of GDP Per Capita Income between USA and Nigeria economy from 2010-2014 (at Purchasing Power Parity)

Year	USA($)	Nigeria(₦)	Exchange Rate (₦ to $)	Per Capita Income in ₦	Difference in GDP Per Capita Income ($)	% Difference in GDP Per Capital Income ($)
2010	49372.8	5122.8	150.3	769957	44250	89.6
2011	49781.4	5230.6	153.9	804989	44551	89.5
2012	50549.2	5309.5	157.5	836246	45240	89.5
2013	51281.6	5447.8	157.3	856939	45834	89.4
2014	52117.8	5639.5	158.6	894425	46478	89.2

Source: CBN Statistical Bulletin (Various Publications) and Author's own calculation.

Further comparison of GDP Per Capita Income between USA and Nigeria economy from 2010-2014 at Purchasing Power Parity in table 1.1B shows a glaring difference of about 89.4% on the average. In other words, the USA economy has a GDP Per Capita income of about 89.5% over that of Nigeria between the period of 2010-2014. Though the Per Capita Income of the Nigeria GDP in Naira value is higher compare to USA GDP Per Capita Income in dollar. The US dollar on the basis of Purchasing Power Parity (PPP) is an acceptable standard for comparison. Thus, it is evidently clear that increase in Per Capita Income between countries could be an indicator for the measuring of economic growth and development.

Table 1.2

PER CAPITA INCOME OF SOME SELECTED THIRD WORLD COUNTRIES FOR THE YEAR 2011 (AT PURCHASING POWER PARTY)

COUNTRY	ESTIMATED GDP (AT PPP)	PER CAPITA INCOME($)	RELATIVE ATTRATIVENESS
Nigeria	$415billion	$2,500	4th
South Korea	$1.164trillion	$31,700	2nd
Malaysia	$453billion	$15,000	3rd
Singapore	$314.9billion	$59,700	1st

Source: Punch Jan 15, 2013 (Punch Editorial Board) online source/own calculations.

Table 1.2 shows some Third World countries that were at comparable levels of development with Nigeria in the 1960s and with considerably less natural endowment have left the country behind. Comparing the per capita income of these countries, Singapore is top on the list with$59.700 followed by South Korea, with $31,700 Malaysia ($15,000) and Nigeria ($2,500). It is evident here that the gap of the per capital income at Purchasing Power Parity between Nigeria and these selected countries is extremely wide.

Summary

From what has been said so far, it is clear that increase in GDP per capita income signifies economic development. In other words, there are other factors that determine the level of development in given country. The major reason why per capita income is a necessary insufficient yardstick for measuring development is as a result of individual ownership of the means of production, distribution of goods and services especially in a capitalist economy like USA and Nigeria. Thus GDP could be largely owned by 10% or less than 10% of the whole population in a given country. With this assumption it appears that this methodology of increase in per capita income to measure development is faulted for its incapacity to measure the quality of life and manner of wealth distribution in a country with reference to the standard of living etc. In other words, a mere 10% or less of a countries population may be in control of majority of the wealth (population known as resources owners or the capitalist bourgeoisie) while the GDP shows the whole country as prosperous.

At any rate, outside increase in per capita income a lot needs to be done in order to attain appreciable level of economic development. From the analysis, increase in per capita income of

USA reflects the development structure of the economy as we already explained in section 1.5 in table 1.1.A.

This shows that there are several leakages instead of injection where GDP cannot serve the purpose of expansion of the productive capacity. This is common among Nigerian politicians who transfer Nigeria money to their personal foreign accounts in form of capita flight, instead of investing such money on income earning assets or productive ventures.

It is not surprising that the concentration of the GDP (Nigeria money) in the hands of few Nigerians has contributed negatively to the growth and development of the economy. Notable among them are the depletion and wasteful acts of resources, the competition, struggle of the survival of the fittest, these of course have led to so many underground economic activities (illegal activities) such as crude oil thefts, smuggling, drug trafficking and social vices such as women trafficking, prostitution, kidnapping and armed robbery activities, worst still is the present security situation that have taken Nigerian government a huge sum of money, and other forms of resources –human, natural etc. making the economic and political situation very unstable.

Recommendations

Our infrastructure is so poor that World Bank estimates that we need $20billion in new investments in power sector alone each year for the next 10 years to reverse our poor industrial base while agriculture is still driven by small holders with hardly any mechanization. The World Bank has warned that Nigeria must achieve double digit growth for 10 unbroken years to break the cycle of 70 percent of her people living in poverty. Latest figures from National Bureau of Statistics indicate that despite a slight improvement in the small and medium scale industrial subsector, manufacturing contributes less than 4% to GDP, while solid minerals varieties of which are largely in hands of artisans and unregulated, unregistered informal operators. When varieties of the industrial sub sectors are not registered how do we account for their contributions to the GDP?

The three tiers of government must move away from its empty and deceitful promises and be realistic in delivery of dividends of democracy to the people. Still on revamping the economy of Nigeria in terms of growth and development ,increase in standard of living etc, the high lending rate that currently hover at between 17 percent and 27 percent must be reduced and directs investment into massive infrastructure to reduce unemployment level in the economy.

The economy will be better if the government drastically slashes its waste, excessive number of political appointees, trims public service capital flight to other countries and be channelled into productive ventures. The money received by those politicians is merely transfer payment without any productive justification. For instance, about ₦1.4billion estimated total payments to presidential aides in emoluments in a year, #539billion total yearly payments to council chairmen\women and councillors in Nigeria (774 LGAs). ₦1.3trillions estimated annual salaries, allowances and fringe benefits of Nigeria political office holders at all tiers of government.

Others include ₦29millions approximately the annual salaries and allowances of each minister, ₦28millions payments to each of the 109 senators in a year, ₦22millions payments to each member of the House of Representatives in a year and ₦36billions total salaries of the House of Assembly members across the 36 states (RMAFC, 2009). As Lamed Sansui, the immediate past Governor of the CBN, noted that the furious rate of borrowing by Federal and State Governments amounts to mortgaging the future. The government must restrain in its unreasonable borrowing that are usually channelled into unproductive assets. President and Ministries should visit project sites and insist on their speedy completion.

More so, the economy will witness hundreds of thousands of new jobs if the government completes the form of the mineral sector, improves agriculture, unchains the railway sector by repealing the railway Act 1955, builds and maintains highways, reforms the oil and gas sector. Although it may not be the direct responsibilities of government to create job but government should provide the enabling environment for both local and foreign investors. This will accelerate the GDP of Nigerian economy.

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