

Small Entrepreneurial Businesses and Recession-Stimulated Growth

Olatunji, Hafsah

*Department of Economics,
Faculty of Arts and Social Sciences, Sokoto State University, Sokoto*

A b s t r a c t

As financial crisis unravels, governments increasingly recognized the severity of the downturn and the urgency to intervene in order to avoid a catastrophic collapse of the financial markets and real economy. The response usually consists of three main interventions: bailouts and injections of money into the financial system to keep credit flowing; cutting interest rates to stimulate borrowing and investment; and extra fiscal spending to shore up aggregate demand. These measures have sought to prevent further economic deterioration and ultimately keep workers in jobs where possible and help create new jobs to provide opportunities for the unemployed. Overall, this response has helped avoid a far more severe downturn, though effectiveness has varied considerably across countries. In this context, this paper's main objective is to advance that recession can be positively harnessed to breed micro and small enterprises that are viable and grow into large companies. The paper gave an overview of theories on financial crisis, causes of recession in Nigeria and finally made an analysis of some macroeconomic policy measures that have been adopted by some developing economies in combating recession. Among the recommendations advanced are the coordination of Fiscal and Monetary policies and Social economic security for nascent entrepreneurs.

Keywords: *Recession, Financial crisis, Macroeconomic Theory, Macroeconomic policy*

Corresponding Author: Olatunji, Hafsah

Background to the Study

Recession is a business cycle contraction, and it refers to a general slowdown in economic activity for two consecutive quarters. During recession, there is usually a decline in certain macroeconomic indicators such as GDP, employment, investment spending, capacity utilization, household income, business income, and inflation, with the attendant increase in the rate of unemployment CBN, (2012). Technically, when an economy recorded two consecutive quarters of negative growth in real GDP, it can be said to be in recession. GDP is the market value of all legitimately recognized final goods and services produced in the country in a given period of time, usually one year.

“Recession is evidently no blessing for humanity, but since it does recur at regrettably frequent intervals, it is surely appropriate for society to make the best of these bad situations by deriving whatever benefits can be extracted from them” (Baumol, 2014 pg 61). In his analysis, he pointed out that there are indeed, potential gains offered by these periods of economic failure, stressing that markets automatically do provide inducements for the realization of these benefits, and that such gains have proved to be substantial. Arguing on the basis of evidence available in the literature reviewed, that recession, even depression, encourages the entry of small enterprising firms and from among these ranks, a substantial proportion of the companies go on to become “giants of industry” emerge.

Some of the largest and most prosperous firms of the American economy were born during periods of economic failure. Stangler (2009) reports that at least 51 percent of the 2009 Fortune 500 firms included in his analysis were founded during a recession or a bear market or both. Among the companies included in Inc.'s 2008 list of the 500 fastest-growing firms, Stangler found that 48 percent originated in a recession or a bear market. Fano (1987), reported that during the Great Depression in the United States, when the overall unemployment rate hovered between 15 and 25 percent for nearly a decade, the employment of scientists and technicians grew markedly. Such employment growth, Fano notes, is just one indication of the dramatic research and development growth that took place during the Depression era in the United States. Fano's conclusions have been confirmed and extended by subsequent studies, like Field, (2003) in his work titled, “The Most Technologically Progressive Decade of the Century”, where he was referring to the decade of the Great Depression.

Recessions associated with financial crises like that presently experience in Nigeria are more severe and longer lasting than recessions associated with other shocks. Recoveries from such recessions have been typically slower, associated with weak domestic demand and tight credit conditions. This period is usually characterized with Credit Crunch because banks usually experience serious liquidity problems and became very risk averse about lending to small business and individuals as making it difficult for micro and small businesses to access financial services.

This notwithstanding, just as such periods have seen the birth of enterprises that have grown into large companies in developed economies, such experiences can also apply to Nigeria if the proper measures and macroeconomic policies are put in place.

Statement of Problem

In a period of recession, governments world over increasingly recognizes the severity of the downturn and the urgency to intervene in order to avoid a catastrophic collapse of the financial markets and real economy, such response usually consists of three main interventions: bailouts and injections of money into the financial system to keep credit flowing; cutting interest rates to stimulate borrowing and investment; and extra fiscal spending to shore up aggregate demand. These measures have sought to prevent further economic deterioration and ultimately keep workers in jobs where possible and help create new jobs to provide opportunities for the unemployed. Overall, this response is expected to help avoid a far more severe downturn, though effectiveness has varied considerably across countries and Nigeria is among the least of the countries where measures adopted have worked as evident in the negative GDP of -0.36% and -1.5% in the first and second quarters of 2016, (NBS, 2016) and increasing rate of unemployment. Hence the need for a review of the macroeconomic policies employed to arrest and turn round the situation in Nigeria. Presently the country witnesses more of struggling large firms while the small firms are barely managing to survive due to harsh business conditions.

Objective of the paper

The Objective of this paper is to advance that recession can be positively harnessed to set in motion wheels of prosperity for viable micro and small enterprises that can grow into large firms that will be able to sustain the economy.

Methodology

Qualitative content analysis is adopted in this conceptual work. This method originally emanates from documentary research which allows the researcher to use documents past and present in order to reflect on a contemporary issue. This method affords the researcher ability to manipulate the document and develop themes and sub-themes for the purpose of analysis and interpretation on addressing the problem at hand. A particular advantage of content-analytical procedures as compared with other approaches to text analysis is the fact that it has a firm basis in the communicative sciences. The material is always understood as relating to a particular context of communication. The interpreter must specify, to which part of the communication process he wishes to relate his conclusions from the material analysis (Philipp, 2014). To this end, this analysis proceeds from background of the study to statement of problem with the main objective to advance that recession can be positively harnessed to bread micro and small enterprises and move on to an overview of theories on financial crisis, going into the causes of recession in Nigeria and finally looking into some macroeconomic policy measures that have been adopted by some developing economies in combating recession.

An overview of Theories of financial Crises

Financial crises are no new phenomenon in economic societies, they periodically occur and eventually lead to recessions. Several Economists have tried to explain the forces behind this phenomenon. Economic thinking has produced a large variety of models which explain financial crises and their effects on economic development. These models

belong to different paradigms, and even within each paradigm there are numerous possible approaches. The aim here is to give an overview of some theories which explain financial crises:

i. In explaining Financial crises, Wicksell (1898, 1906), explained the dynamics of capitalist economies by the interaction of two rates of return, the so-called natural rate of interest and the money interest rate. The natural rate of interest is the interest rate of the real neoclassical sphere in an equilibrium constellation, an interest rate which would be realized if the neoclassical capital market actually existed, savings and investment would directly interact and there would be no money. Pointing out that there is a certain rate of interest on loan which is neutral in respect to commodity prices, and tends neither to raise nor to lower them. This is necessarily the same as the rate of interest which would be determined by supply and demand if no use were made of money and all lending were effected in the form of real capital goods. It comes to much the same thing to describe it as the current value of the natural rate of interest on capital, this money interest rate according to Wicksell is usually determined in the monetary sphere mainly by the central bank. As soon as the money interest rate is lower than the natural interest rate a cumulative investment process is triggered. The number of people becoming entrepreneurs will be abnormally increased and this resulting expansion leads to an inflationary process. Financing does not restrict the expansionary processes because the monetary system is according to Wicksell "elastic". As soon as the money interest rate is above the natural interest rate a deflationary contraction process results. In Wicksell's framework price level changes, and changes in real production and employment are not sharply distinguished. Both take place at the same time. Increases in output and prices in an expansion phase and shrinking output and prices in contraction phases are typical for all neoclassical approaches in the tradition of Wicksell, stressing the character of capitalist development as a sequence of cumulative expansion and contractions which affect the whole economy. A cumulative expansion period according to Wicksell is triggered exogenously. An expansion will lead to increasing instability and fragility and must sooner or later come to an end. It makes place for a cumulative contraction phase. A sharp enough contraction will lead to systemic problems in the financial system. The vision Wicksell develops is an economy which switches from cumulative expansion to cumulative contraction whereas the end of the cumulative processes cannot be explained endogenously in any strict sense.

ii. Hayek (1929, 1931) in his business cycle models following Wicksell's lead explained that the modern credit organization involves a dilemma which is difficult to solve. Following Say's law which postulates that aggregate supply always exactly creates the aggregate demand to sell all products, pointing out that a mismatch between demand and supply in a single market is possible, but there can never be a mismatch between aggregate supply and aggregate demand. Say's law crucially depends on the non-existence of money hoarding. As soon as hoarding of money, it will result to a situation where nobody wants to buy and everybody wants to sell. More important for Hayek is the interaction between savings and (net) investment. As soon as saving and investment exists it is not avoidable that credit relationships start to exist between households and

enterprises. One of the key arguments of Hayek is that the modern credit system does not fit the vision of the neoclassical capital market. The influence of money should be sought in the fact that when the volume of money is elastic, there may exist a lack of rigidity in the relationship between saving and the creation of real capital.

iii. Keynes, (1930) in his "Treatise on Money" follows to a certain extent Wicksell and Hayek. However, he adds one important argument which later became one of the cornerstones of the Keynesian paradigm. From national accounting Keynes deducts his so-called fundamental equations of the value of money. In a closed economy the net domestic product, or national income, (Y) equals wages (W) plus normal profit (QN) and extra or windfall profits (QE). Windfall profits are identical with undistributed profits of the enterprise sector. With P as the price level and Yr as real income ($Y = YrP$) it follows $Y = YrP = W + QN + QE$. Isolating the price level the equation of the value of money becomes $P = (W/Yr) + (QN/Yr) + (QE/Yr)$. The term (W/Yr) expresses unit labor costs, the term (QN/Yr) normal profits per unit of output or unit-profit costs while (QE/Yr) represent interest costs and also "normal" dividends and other profits flowing to households. It is assumed that in equilibrium all profits are distributed to households and investment financed by profits is zero. Keynes, implicitly assumes monopolistic competition, argued that increases in unit-labor costs and profit costs are rolled over by firms and this increases the price level. Falling costs, of course, lead to a falling price level. Cost and price level changes are independent of the demand constellation. A direct price-price effect is assumed as soon as the macroeconomic costs level changes. This means that in the framework of a closed economy and a comparative-static equilibrium analysis, firms are able to roll-over costs without excess demand. This is an important difference to neoclassical models of price-level changes which only use excess demand or excess supply in the goods market as drivers for inflation and deflation. However, Keynes pointed out that increasing costs cannot be rolled over to prices in all constellations implying that the most important factor that determines changes in costs and the price level are changes in nominal wages. With this argument Keynes presented a key additional factor for cumulative expansion and contraction processes, a falling price level directly increases the real debt burden of all debtors in domestic currency. The combination of goods market deflation and high debt irrevocably leads to a systemic financial crisis. According to Keynes, falling nominal wages are a disaster hence should not be flexible, and nominal wages developments should become a nominal anchor for the price level.

In the tradition of the Treatise on Money several constellations between cost inflation / cost deflation and demand inflation / demand deflation can be distinguished:

- a. A combination of demand inflation and cost inflation leads to a cumulative expansion. A boom phase which, according to Keynes, can be caused by many factors typically leads sooner or later to such a constellation. An economic expansion leads to a demand inflation which leads to undistributed profits in the enterprise sector and typically stimulates further investment and a riotous living of profit receivers. The expansion will lead to higher employment and in the end higher nominal wages. Both inflationary forces now enforce each other and lead to a cumulative expansion.

- b. A second cumulative constellation is a combination of demand deflation and cost deflation. A reduction of demand decreases output and prices and increases unemployment. Higher unemployment can lead to nominal wage cuts and a further stimulation of the deflationary process. As soon as the wage anchor breaks a cumulative deflationary wage price spiral together with a lack of demand and high losses of the enterprise sector develops. A systemic financial crisis is hardly avoidable then.
 - c. The combination of cost inflation and demand deflation characterizes a constellation when, due to a lack of demand, firms are not able to roll-over higher costs. Such a stagflation leads to a profit squeeze. A stagflation is typical at the end of an expansion when central banks start to fight inflation. Of course, other explanations of a stagflation are possible, for example a collapse of investment as a result of a negative shock or price increase of natural resources in an overall stagnating economy.
 - d. It should also be noted that theoretically the combination of cost deflation and demand inflation is also possible. Such a constellation fits, for example, a demand stimulating policy in a country suffering from deflationary wage decrease. Critics including Keynes himself in his *General Theory* have criticized this approach of the *Treatise on Money* including the concept of a natural rate of interest.
- iv. Irving Fisher (1911) is the founder of the modern version of the quantity theory of money which was set out by David Hume and taken over by David Ricardo and almost all classical economists. He developed a crisis model that became one of the key elements of many future models of financial crises.

The most common triggers of an expansion, according to Fisher, are new opportunities to invest with the prospect of better-than-average profits. For example, new inventions, new industries, discoveries of new resources, or the opening of new markets. Easy monetary policy, in the form of an overly low interest rate, can also trigger an unsustainable expansion. Fisher argues, following the classical and neoclassical paradigm that in the long run money is neutral and changes of money supply in the end only affect the price level. Changes in the money supply can have deep and destabilizing effects on the economy in the short and medium term. In the short term, money is anything else but neutral. Periods of “transition” from one equilibrium to another after an increase in the supply of money leads to “action and reaction” and a cycle of 'prosperity' and 'depression'. For him, money can become a fundamentally disturbing factor for the real economy. He recommended strict monetary targeting as an economic policy rule for the purpose of enforcing the neutrality of money. Fisher is of the opinion that a business cycle with its ups and downs is difficult to avoid in any economy and also not a fundamental problem. However, problems will arise under certain conditions when a “normal” business cycle gets out of control and a cumulative development is triggered which leads to a cumulative breakdown of the economy. He however argued that overoptimistic expectations lead to periods of expansion including asset price bubbles leading to herding

and speculative behavior triggering asset price inflations, which are usually combined with huge credit expansion, phases of high GDP growth and high employment. When the asset price inflation comes to an end an asset price deflation is the ultimate result. The bigger the bubble is the bigger will be the following asset price deflation. The end of an expansion period like the beginning, depends on many factors and can only be clarified in a historical analysis. Asset price deflations lead to the destruction of wealth as well as to problems for speculators and other economic units in paying back their debt, non-performing loans start to grow, distress selling of assets to be able to service debt and panic leading to a sharply falling asset prices. This period of financial crises can be normal or systematic. Fisher explained that the difference between a normal crisis and a disaster leading to a systemic financial crisis with deep consequences for production and employment is a goods market deflation. A constellation of high debt and goods market deflation leads to an increase of the real debt burden by all debtors in the domestic currency. The nonperforming loan problem explodes, the coherence of financial markets erodes and the economic boat capsizes. The key channel between an asset market deflation and a goods market deflation is the lack of demand for goods and services and at the same time an increase of supply because firms with non-performing loans try to sell everything in an attempt to survive. The lack of demand is also caused by collapsing investment and decreasing consumption demand. The latter decreases because of lower income and rising unemployment.

Fisher remains a theorist of the quantity theory of money as the only channel of goods market deflation is lack of demand in relation to supply. The role of the nominal wage level as a nominal anchor against deflation does not exist in Fisher's thinking.

v. Joseph Schumpeter (1954) developed a model with a boom-bust cycle which can also lead to a financial crisis. Starting from an equilibrium situation some entrepreneurs start with an innovation (a new technology, a new product, a new organization, etc.). A stock of inventions is always available. It is the entrepreneur which selects some of them and triggers economic development. According to Schumpeter, capitalist development cannot take place without credit. Credit is created ad hoc (out of nothing) by the banking system and gives the entrepreneur the financial power to get the physical inputs to implement the innovation Schumpeter then assumes a kind of herding behavior of firms following the innovative entrepreneurs. The "followers" imitate the innovation to get some of the extra profits which can be earned in the new market.

They are also forced to do so by competition. If they do not follow they will sooner or later be eliminated by the market. Driven by high investment and credit expansion a boom phase develops which at a certain point comes to end and gives way for a contraction. This expansion phase, where firms invest into the new innovation or take credit to reorganize and get more productive is accompanied by a second, often bigger and more visible phenomenon. Prosperity is accompanied by speculation. Companies speculate on the further expansion and increase orders and inventory. Speculation in the narrow sense may occur and lead to a bull market. Private households may take consumption loans, etc. The general expansion also leads companies to increase capacities (without increasing productivity) in anticipation of continuing high demand.

Schumpeter divides credit into productive and unproductive credit, where the former increases productivity, while the latter does not. For Schumpeter the start of the expansion and its end depend on history and cannot be explained mechanically, during the introduction of the innovation, there is an increase in the price level and soon as the innovative process comes to an end, the new equilibrium will be characterized by a lower price level. So the expansion is characterized by inflation, while the recession is characterized by deflation. During the crisis phase when demand and output shrink not all firms will survive these that are not innovative enough will go bankrupt. In particular unproductive loans becomes a problem. In Schumpeter's theoretical model the economy falls back into an equilibrium constellation, however with a higher level of productivity and new products. A new expansion can start when entrepreneurial spirits are high again and finance is available. Schumpeter also argued that crises can get out of control and when this happens not only less innovative firms are eliminated, also good firms break down. Such a development is dysfunctional and harmful for economic development in such instance the economic has entered a stage of economic depression. He explained the difference between recession as the normal process that follows the expansion, and depression he describes as a dysfunctional development. The depression is characterized by an undershooting of the new equilibrium, where cumulative processes drive the economy further away from the equilibrium point. Whether the recession turns into a depression depends, according to Schumpeter, on external circumstances and is not predictable.

Causes of Economic Recession in Nigeria:

Recession can be caused by two broad factors: internal (endogenous) and external (exogenous). The former is usually as a result of conflict of ideas, misapplication of economic theory and regulatory negligence or policy inconsistency (CBN, 2012). The external causes of recession have to do with factors that are exogenous to the economy over which policy makers have little or no control. Factors like natural disaster, climate change, revolution and wars. For instance an agricultural economy could face crop failure resulting in general economic slowdown. Also, a mono-economy could suffer recession from international price shock for its product. The neoclassical economists are of the view that state interference in the market, labor union, monopolies and technological shocks are external causes of recession.

Negative demand and supply shocks as well as deflationary macroeconomic policies are also causes of recession, the negative demand-side shocks that affect the aggregate demand work through a global economic slowdown that impacts major trading partners of a country while, the Supply side shocks causes of recession result mainly from general increases in commodity prices such as crude oil, minerals, metals and other non-fuel inputs, foodstuff prices, etc. These factors are inflationary in nature and a persistent rise in prices of these goods and services, resulting from high cost of inputs, are usually transferred to the final consumers who can now only afford less quantity because of higher prices. This lowers demand for goods and services, reduces the standard of living, and ultimately depresses production of goods and services by firms.

Nigeria formally entered into economic recession in the second quarter of 2016, when it reported a negative GDP of -0.36% and -1.5% in the first and second quarters of 2016. Diji, (2017) Identified the major causes of economic recession in Nigeria to include:

1. Poor economic planning and no concrete implementation of economic planning policies is a major cause of Nigeria current recession, as can be seen with budget delays, poor exchange rate policy and other economic policy cartwheels.
2. High inflation rate. The government banning the importation of certain essential agricultural products like rice without considering gestation period is a major contributing factor. Also, removal of fuel subsidy should not be simultaneous with the banning of these agricultural products.
3. High interest rate. Current interest rate in Nigeria is between 26.77 – 27%, is extremely high for investors. This high interest rate is discouraging investors and the poor investment climate is resulting in high rate of unemployment in the country.
4. High taxation. Taxation is very high and rather strange, since most countries in recession are reducing their interest rate, while the tax authorities in Nigeria are increasing taxes. Small businesses are slaughtered with high interest rate. Both high interest rate and high tax rate are killing businesses and manufacturing activities in Nigeria and has lowered Nigeria's aggregate demand.
5. Policy conflict. Government economic policies appear conflicting. High interest rate, high tax rate are tight monetary policy measures, whereas government is promoting the notion of adopting an expansionary policy – budget deficit.
6. Another major causes of inflation include speculation in stock market due to budget delays.

An over view of Macroeconomic policy measures adopted by some Developing Nations to fight Recession:

Verick and Islam (2010), in a discussion Paper series gave a typology of Macroeconomic policy responses to economic recession is given in the table below, representing a sample of 20 regionally low and middle income countries. As can be seen in the table below, some policy interventions have been more frequently used than others. A majority of countries in the sample have engaged in expansionary fiscal and monetary policies and support for small and medium enterprises. Much less effort has been expended in boosting income and employment protection and in taking account of the particular circumstances of vulnerable groups (informal economy workers, young people and migrant workers).

Table 01: An overview of policy responses to the global recession of 2008-2009 in 20 low and middle income countries, December 2009

Policy Area	Specific interventions	Frequency (%)
Monetary and financial policy	i. Interest rate reductions	75
	ii. Quantitative easing	40
	iii. Deposit guarantee schemes and other measures to protect the financial sector	75
Fiscal policy	i. Overall tax and expenditure adjustments	65
	iv. Public investment in infrastructure	100
Exchange rate/capital account	i. Exchange rate depreciations	40
	ii. Export financing or tariff reduction	45
Income and employment Protection	i. Efforts to limit lay-offs.	30
	ii. Unemployment benefits	25
	iii. Employment guarantee schemes.	20
	iv. Minimum wages	40
Social Protection	i. Cash and in-kind transfer programmes	45
	ii. Additional social expenditure	65
Increasing employability	i. Training and re-training	45
	iii. Public employment services	20
Group-specific initiatives	i. Informal economy workers	10
	ii. Youth	10
	iii. Migrant workers	30
	ii. Public sector employees	20
Sector-specific initiatives	i. Support for SMEs	70
	ii. Support for key export sectors	20
	iii. Support for 'green' jobs	10

Source: Verick and Islam (2010)

Their findings revealed that many developing countries lack the necessary repertoire of labor market and social protection policies to protect the poor and vulnerable from the harmful consequences of recession. In addition to macroeconomic policy, specific labor market measures also have a role in mitigating the impact of the crisis on workers, helping reduce the lag between economic growth and job creation, as well as preventing the risk of unemployment persistence, long term unemployment and human capital deterioration. Formulating appropriate policy interventions they argued requires recognizing and understanding how the labor market adjusts as a result of the credit squeeze and collapse in aggregate demand the degree and form of adjustment will depend on the magnitude of the crisis in specific country and region, and the level of labor market flexibility.

On the overall, they noticed that the use of labor market policies in terms of scope and diversity declines with the income-level of countries, a reflection of the financial and technical constraints hindering the response of these governments. Nonetheless, they noted that a range of policies have been utilized in low and middle-income countries, in some cases in a similar fashion to more developed nations.

In the Global Economic Conditions Survey (GECS) by ACCA and IMA (2013), it was revealed that in Africa, 99% of SMEs reported at least one negative pressure although positive responses were also highest here, as 58% reported a business opportunity showing that Africa is a region of contrasts where SMEs are facing a high-risk environment full of both opportunities and threats. The economic pressures felt more strongly by small and medium-sized businesses stemmed from cash flow issues, that is, 'Decreased income', 'Securing prompt payment for customers', 'Concern about customers going out of business' and 'Problems with access to finance'. Mid-market businesses, which tend to be more internationalized than smaller SMEs, were most likely to identify inflationary concerns as costs rose, and the negative impact of foreign exchange movements.

Mid-market companies and large corporates were significantly more likely than smaller SMEs to cut back staff hiring or investment as a result of the economic climate. The tendency to scale back capital investment also decreased with size of business, as could be expected. SMEs from Africa were most likely to explore reducing costs.

Analysis of business outcomes and opportunities could suggest that businesses in the emerging market regions tend to support profit margins by focusing on strategies for lowering costs, as opposed to expanding the business through increased orders. Those in central and eastern Europe were least likely to identify any opportunities, with SMEs far less likely to do so than large corporates. One might expect that this would not be the case in Africa, where SMEs were more likely to identify business opportunities (63%) but 'Opportunity to lower costs' was the most popular response selected in both regions, reflecting fewer opportunities sought for growth. SMEs were less likely than mid-market companies and large corporates to have experienced changes to the finance function, with far fewer redundancies reported, in particular. Mid-market companies were most likely to have increased permanent staffing levels. The more common capacity changes for SMEs were transient measures, including reduced training and increased use of contract staff.

However, the most utilized policy response in the middle-income group is training (with 25 countries) followed by job search assistance, entrepreneurship incentives and public works programmes. There are far fewer low-income countries implementing such policies in response to the crisis. In general, low and middle-income countries tend to rely on the labor market policy measures that do not require complex institutional structures and social dialogue. Nonetheless, some governments are turning to more innovative policies that have not been widely used before such as providing subsidized training for threatened workers.

Conclusion

Clearly there is something about a period of recession or depression that stimulates investment in the innovation process, giving birth to new entrepreneurial firms that have grown to become giants in their industries. Such eras of economic failure also have seen dramatic expansion of the research and development activity that underlies the economy's future growth long after a recession is over. When unemployment is high during a depression or recession, many people without jobs turn, in desperation and out of necessity result to founding their own small firms and because in periods of recession, prices of plant and equipment are apt to be in sharp decline, if not in collapse due to fall in purchasing power which is accompanied with low demand, this is bound to attract practicality entrepreneurs who understand that such investments are likely to be profitable when prosperity returns and the outputs resulting from these relatively inexpensive investments increase substantially in value. In paradox, it is during periods of strong economic performance that investment in the founding of a new firm is a questionable activity because it is obvious that good business calls for purchase when prices are low and sale when they are high. A recession or depression is a financially attractive time to invest in scientists and engineers because at this time their wage levels are low, relative to the salaries they can command in prosperous times. Such investments enhance research and development activity as well as innovations which are mostly needed, and which, in turn, helps to fuel the economic growth that enables a return to prosperity.

Recommendations:

- i. There is a need to initiate and diffuse research on how SMEs can survive economic recessions. This need to be a thematic research area in both academic and policy centres. The researches could address among other themes: What triggers a boom phase? What are the roles of the financial institutions during recessions? Which fragilities build up during the boom phase? What triggers the crisis (end of the boom) and how does a financial crisis develop?
- ii. There is a need for the government to look into the possibility of providing nascent entrepreneurs a form of social economic security considering the volatile nature of business environment in Nigeria. A characteristic feature of entrepreneurs is that they often try novel paths, testing and experimenting with new products and services, contemporaneously as they strive to expand their businesses, this social economic security will afford them an insurance they can fall back on in times of setbacks.

- iii. There is a strong recommendation for a proper coordination of both Monetary and Fiscal policies to combat any form of economic recession. Presently these policies are working against each other in Nigeria. Monetary policy, if effective seems to play important role in ending recessions and strengthening recoveries. However, it is weakened in the aftermath of a financial crisis so fiscal stimulus are particularly helpful during recessions and financial crises, hence the need of appropriate Fiscal policy to complement the Monetary policy

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