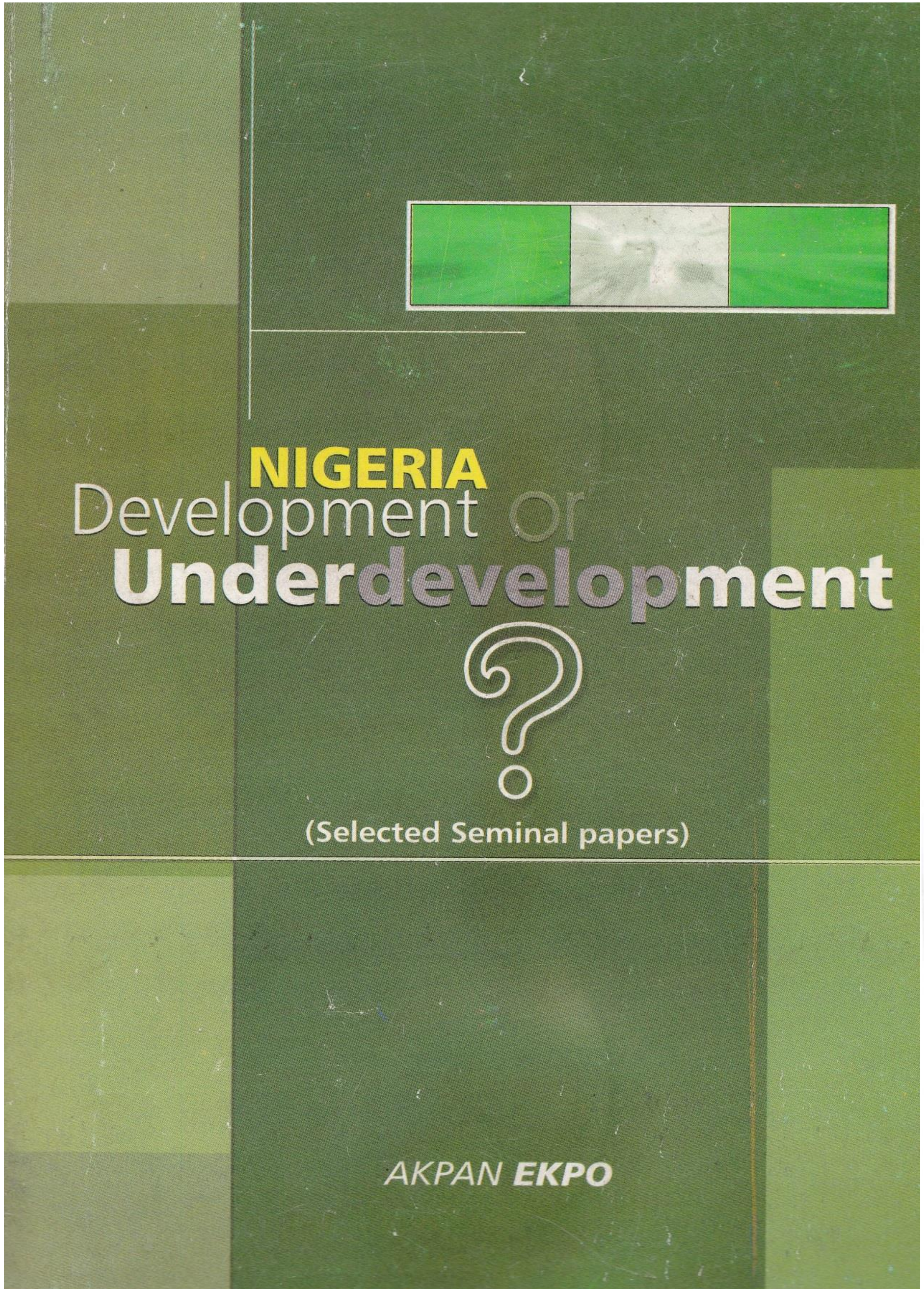

Chapter Ten

WORKING PEOPLE AND OUR NATIONAL INCOME

INTRODUCTION:

Since 1980, the Nigerian economy has been characterized by negative growth rates. Beginning 1984, millions of workers were retrenched in the attempt to reduce government expenditures in line with directives from the International Monetary Fund (IMF). We were informed that most workers in both the public and private sectors were retrenched due to their (workers) declining productivity. There is no doubt that the Nigerian economy is in a depressed state. Also, the ruling class has continuously called on Nigerian workers to tighten their belts in order to assist in bailing the economy out of the present economic malaise.

While it is a fact that workers produce the income and wealth of Nigeria, it is also true that workers receive far less than their share in the distribution sphere. This paper attempts to examine working people and Nigeria's National Income. Furthermore, the paper hopes to shed some light on the various types of working people and the different perception of national income. Consequently, the paper is segmented into two parts. Part 1 sketches the present state of the economy and discusses the concept of working people and national income. In part II, we present some evidence on the subject matter, make an incursion into the future and conclude the paper.

PART 1: THE ECONOMY, WORKING PEOPLE AND NATIONAL INCOME: PRESENT STATE OF THE NIGERIAN ECONOMY:

Since 1914 up to the present, poverty and underdevelopment characterize the Nigerian economy. This is not to suggest that the country is poor. On the contrary, Nigeria is endowed with abundant natural and human resources.

During colonialism, her natural resources were exploited in the interest of the metropolis. After political independence, the class that assumed power continued the capitalist path of development. These classes, with different actors, have stayed in power up to the present. The coming and exit of the military has not obscured this reality.

Table 1 below clearly shows that the economy is experiencing stagflation (high unemployment rate, declining productivity and high rates of inflation). From 1980 to 1986, gross domestic product (gdp) declined consistently and inflation rate hit the double-digit mark. The discomfort index which stood at 11.1% in 1980 rose to 47.9% in 1984 reflecting a compound growth rate of 34%.

TABLE 10.1: Nigeria: Indicators Of Economic Performance 1976 - 1986 (%)

YEAR	GDP[a]	P[b]	U[c]	Discomfort Index (P & U)
1976	10.5	23	4.3	27.3
1977	8.8	16	-	-
1978	-5.7	17	1.6	18.6
1979	5.9	11	2.7	13.7
1980	-0.1	10	1.1	11.1
1981	-5.1	21	-	-
1982	3.8	8	-	-
1983	- 3.5	23	4.8	27.2
1984	- 5	40		

Sources: Computed by author from:

(i) Federal Office of Statistics, Economic and Social Statistics Bulletin, January, 1985.

(ii) Federal Republic of Nigeria, Budget 1986, Lagos.

(iii) Federal Ministry of Employment, Labour and Productivity, Quarterly Bulletin of Labour Statistics, 1984 and 1985.

Notes:

a) Gross domestic product Annual Variation
b) Inflation rate
c) Urban unemployment rate.

The unemployment rates in Table 10.1 are quite conservative since many job seekers do not use the labour exchange. The reason for stagflation is often cast in terms of declining petroleum revenues

and the reliance of the economy on imports. This view is not too correct for economies such as Nigeria have inherent contradictions which lead to stagflation - a feature of depression.

The Structural Adjustment Programme with the modified Foreign Exchange Market (FEM) has further increased the inflation rate. SAP and FEM have increased the cost of production hence higher retail prices. Moreover, the bi-weekly bidding sessions send confusing price signals, which further worsens the situation.

We have shown elsewhere quantitatively, at least, that the Nigerian Economy is fully located within the orbit of Developed Capitalist economies. In 1982, 80% of Nigeria's petroleum exports went to the Developed Capitalist countries (DC) of the USA and W. Europe and 76% of Nigeria' imports originated from the DCs. The transnationals whose subsidiaries in Nigeria earned abnormal profits are located in the Developed Capitalists. Therefore, the link is concrete.

The Nigerian economy which we have tried briefly to sketch is inhabited by almost 100 million people- workers, children, old people, women, men, businessmen, etc. and a large number of non-Nigerians. We next attempt a discussion of working people and national income.

Working People:

Anyone who earns a living out of production can broadly be viewed as a working person. Defined this way, the rich, the poor and even the state falls into this categorization. We may also define working people as those who earn a wage or salary in order to make a living. Viewed this way, the cleaner, the permanent secretary, the professor, etc. are all working people. We could further stratify this definition by concentrating only on the lower echelon of the working people, that is the low-income earners, petty-traders, small farmers (peasants) who earn subsistence wages. We have so far deliberately avoided the word class but it is now time to try to grapple with the phenomenon called class.

According to Lenin, "Classes are large groups of people differing from each other by the place they occupy in a historically determined system of social production, by their relation (in most cases fixed and formulated in law) to the means of production, by their role in the social organization and labour, and consequently, by the dimensions of the share of social wealth of which they dispose and the mode of acquiring it. Classes are groups of people one of which can appropriate the labour of another owing to the different places they occupy in a definite system of social economy". Classes are here defined according to material, objective criteria. Lenin says nothing about their being based on ideology or 'line'. A class is not a group of people who think or behave the same but material economic entities. A bourgeoisie exist in relation to a proletariat, for example, proletariat here refers to the industrial (line) workers in the lower echelon. Also a class is not just a quantitative category, is not merely someone with a lot of money, a worker is someone with a little. The difference in dimensions of social wealth, although an aspect of class differences, is a consequence rather than a cause of those differences. Differences in income, in the methods of earning it and even in social status do not in themselves determine what are classes. Within a given class there are different layers or 'strata' some of which do not resemble but which nonetheless are parts of the same class.

Strata are groups (or'layers' of people in a society who have certain common social (as opposed to sexual, tribal, national, etc.) characteristics which set them apart from other groups but who do not form a distinct class in the Leninist sense apart from other classes. For example, the upper income earners like permanent secretaries in the Civil Service and Managers in factories represent a stratum, the upper layer of the working class. But not all strata are a part of one particular class. A good example is the intelligentsia, the upper section of the 'brain workers' in society-the doctors, lawyers, teachers, scientists, etc. They do not form a class because they do not occupy a peculiar place in the system of social production. Instead they are members of different classes who may have different relationships to the means of production but share common features like education and technical skill.

In the developed capitalist countries, the intelligentsias are usually not capitalists. Due to growing monopolization of social wealth by a tiny financial aristocracy, they become more and more polarized, a few becoming capitalists (doctors who own or control hospitals, the heads of rich law firms). But the great majority are

wage laborers though with a different lifestyle and social status than the industrial or rank and file white-collar proletarians.

The intelligentsia as a group has no independent or special economic existence. They generally act in the interests of the dominant class that feeds them. This is a fact in both capitalist and socialist society. In capitalist society as in Nigeria, the bulk of the intelligentsia serves as the ideological representatives of the capitalist class. As the capitalist class become less and less able to feed the intelligentsia, most of them (intelligentsia) become disillusioned and start gravitating toward the proletariat. Also, under socialism, the bulk of the intellectuals serve as the ideological representatives of the new dominant class, the workers.

For our purpose, anyone who sells his/her labour power or engages in honest work in order to make a living falls into the definition of working people. Those who buy labour power that is those who perceive labour as a commodity are excluded from this definition. Those excluded specifically are the big indigenous industrialists and all the foreign subsidiaries in Nigeria. The Nigerian State is also excluded.

The National Income:

There are two broad approaches in arriving at a country's national income. Any approach depends on the particular social system. In conventional economics, we arrive at a country's national income by calculating the monetary value of production. This is usually referred to as either gross national product (GNP) or gross domestic product (GDP). Specifically, gross domestic product (GDP) is the total value (at constant prices) of all goods and services produced without the geographic boundaries of an economy in a year. Gross National Product (GNP) is the total value of goods and services produced by resident (or national) factors of production in a year. GDP covers production by and incomes to citizens of a country wherever they may live. The difference in GDP and GNP is not insignificant in an economy where foreign factors of production are widely used and where GDP may increase more rapidly than GNP. Nigeria utilizes either GDP or GNP. In analysing the country's income.

The Nigerian national accounts or the national income accounting framework follows that of conventional or bourgeois economics, symbolically, GNP is stated as:

Y = C + I + G ± Xn

Where Y = Gross National Product

C = Consumption expenditures by households and their families

I = Investment expenditures by firms

G = Government expenditures

Xn = Net exports: Xn = x-m

Where: X = Export expenditures

M = Import expenditures

Y - CCA = NNP . . . (2)

Where: CCA = Capital consumption allowance (depreciation)

NNP = Net National Product

NNP = Indirect Business Taxes (IBT) = NI (3)

Where: NI= National income.

National income becomes the reward earned by the factors of production. That is for labour the reward is wages or salaries; for capital interest; for land rent and for entrepreneurial (managerial) ability profit.

Alternatively, national income can be perceived from the angle of how income is disposed. In this case

Y = C+S+T

Equation (4) is saying that economic agents (households, firms and governments) pose their income through consumption (C) savings (S) and in paying tax (T).

The above conception of national income does not show how income is produced rather it focuses on the expenditure pattern of income. This derivation is due to John Maynard Keynes who attempted to derive the theory of effective aggregate demand. The classical economists, that is those who theorized up to the period of 1929 - 1936 were not concerned with aggregate demand since supply created its own demand. For them production was possible if a country's factors of production is efficiently utilized.

Nigeria utilizes the above conception of national income. We have argued elsewhere that this notion of national income is faulty within bourgeois theorizing itself. National income

accounting framework in Nigeria does not directly capture the terms of trade of commodities and also subdues the importance of net factor payments in terms of the value of the Naira vis-à-vis other currencies of the world (Ekpo, 1984; Ekpo, 1986).

The national income accounting framework in Nigeria subtracts indirect business taxes and depreciation yet these are monetary objects produced by workers. The accounting system does not give any sign of class relations and conditions of production. It stresses consumption of income but income must first be produced before it is consumed. The national accounting framework suits capitalist development where production is carried on by capitalist firms and not by households. Firms do the allocation and in that context think only of profits and nothing else. But these profits are produced by workers.

The other approach to national income accounting is the Marxian approach. This approach is not utilized in Nigeria. In the Marxian schema, the firm's accounting identity is stated as:

G = C+W+S

Where: G = Gross value or value of output of a firm, branch, sector or entire economy, that is, total product.

C = Constant capital, value of non-labour inputs

W = Value of the wage (salary bill)

The Marxian schema followed the classical tradition of representing production as a cyclic process resulting in the production (or non-production) of a surplus. Constant capital (C) is defined to capture the fact that it has no production of its own. Constant capital represents only a necessary physical condition whose value need only be exactly reproduced for the production cycle to repeat itself. It consists of the part used in buying material things (equipment and materials) and that utilized to hire labour power (workers).

When a worker is hired, the worker must be able to produce above his value in order for him to return to his job the next day. That is a worker must produced enough to enable him be constantly employed and above in order for his master to reap the advantages of hiring him (the worker). The capitalist will not pay the worker that is the wage bill (W) unless the worker produces a surplus. It is this process that keeps the system going.

The value of the surplus (S) is produced by the worker but appropriated by the capitalist. The capitalist has the legal title to the ownership of the property used in the production. He hires the worker. The worker's labour power becomes a commodity.

Surplus value and profits are not the same, at least in the context of the two accounting systems outlines above. In the orthodox (bourgeois) national accounting system-the one adopted in Nigeria, a firm treats payments for rent and interests as costs and substrates these payments before arriving at his profit. In the Marxian tradition rents and interest payment are elements of the surplus produced by labour.

However, in order to discuss some empirical evidence we will assume that national income (Y) approximates Gross value (G) in the Marxian sense. But this national income is that which recognizes the inclusion of indirect business taxes, that is our Y will be the Net National Product (NNP) defined above.

It is necessary to state that Marx attempted to explain the scenario.

However, in the realm of theory, under socialism S (surplus value) must disappear since exploitation has been abolished. That is labour is no longer hired as a commodity to produce surplus for the capitalist. Rather, labour like other factor has been socialized, labour becomes' necessary' labour. Consequently, we reformulate equation (5) thus:

$$G = C + W \quad . \quad . \quad (6)$$

Where: G = total product as previously defined

C = capital which reflect that part of the social product which instead of being consumed by the people directly or indirectly is reinvested not only to replace the worn out means of production but to expand industry and agriculture quantitatively and qualitatively.

W = wages which represent all direct and indirect benefits the workers receive.

These include salaries, rent subsidies, day care facilities, free vacations with pay, pensions, free schools, medical care, and so on as means of consumption.

From equation (6), if W grows faster than G then C will not grow as fast. All things being equal, wages (W) can only grow at the expense of capital if wages grow at a faster rate than the total product of labour. This situation has been occurring for years in the Soviet Union. Out of total production, a smaller part can be reinvested in industry because a larger portion must be used as wage increases hence the growth of capital input decreases relatively along with the raising of wages.

The solution is to increase the productivity of the capital input that is the productivity of labour. Given the equation G = W + C then if G (production) can be made to increase faster than wages (W), then more capital (C), can be invested in modernizing and expanding industry. However, this can only happen if the workers in the same amount of time and with the same amount of labour produc more wealth (products).

This is a slight problem under socialism since it does not have the release values that capitalism possesses: cutbacks in production, lay of is, spread up, heightened exploitation of its colonial reserves. Nevertheless, the price is a small one to pay for a workers' state.

The working people essentially produce the national income in Nigeria. With the increase in the organic composition of capital and the external link of the country with foreign finance capital, the working people are daily being marginalized. Let us attempt to present some evidence on the trend of national income and its disposition in Nigeria.

PART II: NATIONAL INCOME: SOME EVIDENCE:

Traditional or conventional economics never concerned itself with income distribution. The emphasis was on economic growth - if the economy grows, it would trickle down to the masses. If inequality still persists after the trickling-down, the Keynesian orthodoxy offered reliance on taxes and subsidies for redistributing income and reducing or even eliminating poverty.

There are at least three elements of the traditional dogma on income distribution: (1) income inequality is necessary for growth and efficiency. Differences in incomes only reflect the differences in physical and human assets. (2) since there is exchange and growth, income inequality will reduce - development trickles down and spreads. Hence, if we are able to take care of the rate of growth in GNP, poverty will also be taken care of.

The Keynesian framework can be utilized to redistribute income. The above approach towards income distribution which Nigeria subscribes to has three major flaws:

Differences in personal incomes cannot be explained solely by differences in factor endowments.

Usually taxes and subsidies are not properly implemented. For example, in Nigeria, it is not a secret that most rich people pay little or no tax. Moreso, a large portion of GDP (national income) goes to the wealthiest few.

In the Marxian tradition, the capitalist class appropriates all surplus value. In practice some of the surplus value is used by the capitalist to bribe certain segment of the working people, for example managers and permanent secretaries.

It is clear that income inequality exists in Nigeria because the distribution of national income is not on the basis of production and need but on the so-called trickling down effect and taxation mechanism. Two problems work against the measurement of income inequality in Nigeria.

The first is the lack of data and the other the ambiguities in measurement. Studies on family income and expenditure in Nigeria are difficult to come across. What we have is sectoral distribution of income but this serves no meaningful purposes.

In Table 10.2 below we present Nigeria's national income, government (federal) revenue and petroleum revenue for the period 1970 to 1986. Gross domestic product, which was N5620.5 million in 1970,

TABLE 10.2: ***Nigeria: GDP, GNP, Government Revenue and Petroleum Revenue, 1970 - 1986 (N milion)***

Year	GDP[a]	GNP[b]	GR[c]	PR[d]
1970	5620.5	4528.0	633.2	166.4
1971	7098.3	5546.4	1169.0	510.2
1972	7703.2	7132.5	1404.8	764.3
1973	9001.2	8400.5	1695.3	1016.0
1974	16633.5	16257.7	4537.0	3726.7
1975	20231.4	20059.0	5514.7	4271.5
1976	24707.7	24526.4	6755.9	5365.2
1977	27869.4	27716.8	8042.4	6080.6
1978	28342.7	18171.2	7469.3	4654.1
1979	30037.3	29507.0	10912.4	8880.8
1980	31085.5	30199.1	15234.0	12352.0
1981	30366.2	29701.1	12180.2	8564.4
1982	29860.1	29146.6	11764.4	7814.9
1983	27861.2	27318.8	10508.7	7253.0
1984	25855.0	-	11133.7	8209.7
1985	26159.0	-	14606.1	10915.1
1986*	25290.0	-	14189.9	8244.5

Sources:

1. Central Bank of Nigeria: Economic and Financial Review. Various Issues.
2. Central Bank of Nigeria: Annual Reports and Statement of Accounts, Various Issues.

Notes: * Estimates

(a) Gross Domestic Product
(b) Gross National Product
(c) Government Revenue
(d) Petroleum or oil revenue

rose steadily and by 1980 it was N31,085.5 million. Thereafter, GDP declined but in absolute terms the figure of N26,159.0 in 1985 is by no means meager given the population of the country. Petroleum revenue showed a similar trend. Table 10.2. Summarizes our national income produced by the working people of Nigeria.

* *For a perception of inequality with respect to all income groups, economists use the cumulative distribution of income which is usually plotted as the Lorenz care and often described by the Gini coefficient of concentration*

However, the country is still characterized by poverty and underdevelopment because the entrenched notion of development and underdevelopment forbids any serious economic emancipation.

On the contrary, few priviledged Nigerians continue to amass wealth as is usually shown when a new regime probes the erstwhile actors. We are all living witnesses of how the various tribunals set up after the collapse of the Shagari's regime revealed the unbelievable amount of Naira (Millions) stolen by Nigerians and kept within and outside the country. Today, most Nigerians see corruption, as a way of life. What these tribunals reveal is a real movie on how our national income is constantly being blundered. The over-invoicing of contracts is another mechanism for sucking our national income (Ekpo and Agiobenebo, 1987).

In Tables 10.3 and 10.4 below we summarize Federal Government's expenditures-both recurrent and capital. A look at table 10.4.

TABLE 10.3: ***Nigeria: Federal Government Recurrent Expenditures on Selected Items as a Percentage of Total Expenditures, 1970-1986 (In %)***

YEAR Items	1970	1975	1980	1985	1986
Defense	-	16.4	17.2	13.9	12.9
Internal Security	-	-	4.5	15.2	9.0
Transport & Comm.	0.4	0.4	1.4	0.8	1.6
Water Resources	-	-	0.9	0.6a	0.4a
Education	.35	4.6	8.5	9.7	7.9
Health	1.3	1.3	2.0	2.3	3.3
Housing*	-	0.1	2.1	3.7	1.7

Sources: Central Bank of Nigeria. Annual Report and Statement of Account, Various Issues.

Notes:

*includes internal security

**includes other social and community services

TABLE 10.4: ***Federal Government's Capital Expenditure on Selected Items as Percentage of Total Expenditure, 1970-1980 (%)***

Items	1970	1975	1980	1985	1986
Defense	-	10.1	8.6	3.5	2.7
Internal Security	-	-	0.9	0.3	2.4
Transport & Comm.	14.1	20.2	27.1	2.5	4.3
Water Resources	-	-	5.3	2.1	-
Education	1.4	17.9	8.7	1.5	8.0
Health	+	0.6	2.2	0.7	1.4
Housing	-	7.8**	4.0	3.2	8.3

Sources: Some as Table 3

Notes: See Table 3

+ less than N0.1 million.

Reveals that expenditure on basic needs - water resources, education, health and housing is meager to say the least. Considering the huge revenue from petroleum, revenue produced by the working people the situation is pathetic if not insulting. In 1975, 1980, and 1985, Federal government's capital expenditure on health represented 0.6%, 2.2% and 0.7% of the total expenditure respectively. It is only in 1975, that capital expenditure on education appear reasonable, that is, almost 18%. This was partly due to the windfall from petroleum hence the crumbs became a little bigger. The other expenditures like defense and internal security are provided on the said tables.

We mentioned earlier that profit, as the reward on managerial or entrepreneurial ability is a component of national income. The profit after tax for selected companies in Nigeria is epitomized in table 5 below. Between 1983-1984, the profits after tax of UAC (Nig.) Ltd., Mobil oil, John Holt (Nig.) Ltd., and Cadbury (Nig.) Ltd., increased by 127.6% 87.8%, 35.6% and 46.4% respectively. For the period 1984-85 and 1985-86, the profit after tax for First Bank (Nig.) Ltd., increased by 82.1% 64.2% respectively. For Union bank it stood at 44.3% and 29.6% for the same period. It is interesting to note that the Nigerian economy is in a depression, that is national income is not growing but foreign subsidiaries are recording huge profits encountering losses but because of declining rates of profit a basic law of capitalist development. Of course, part of these profits must be repatriated abroad. Consequently, the profits further deplete our foreign exchange reserves. In fact, part of the international disequilibrium was due to fictitious repatriation of funds as well as genuine repatriation of Company profits. With the present Structural Adjustment Program, with the foreign exchange market as an element virtually all profits could be repatriated if a company so desires.

We ought to mention that a portion of our national income is utilized in paying external debts. For example, in 1985 for every N1 earned, 44 kobo was used in meeting external indebtedness. We will dwell more on this aspect during discussions.

Looking Ahead:

The present regime has launched MAMSER - a program for social mobilization for economic recovery, social justice and awareness. The working people ought to avail themselves of this program in order to raise their level of consciousness and understand not only who produces the country's income and wealth but also how the wealth gets distributed.

The present administration has set in motion a transition process in which at the end of it two parties will emerge. Whenever the government gives the go-ahead for the formation of political parties, the working people must ensure that one of such parties belong to them.

TABLE 10.5: ***Nigeria: Profits After Tax of Selected Companies, 1982 - 1986 (N million)***

Company	1982	1983	1984	1985	1986
UAC (Nig.) Ltd.,	-	13.6	30.96	38.61	44.02
Nig. Breweries Ltd.,	30.4	49.4	55.4	26.54	27.57
Mobil Oil	19.3	13.9	26.1	28.02	16.44
John Holt Ltd.,	-	10.1	13.7	23.19	22.38
Texaco (Nig.) Ltd.,	13.3	14.5	15.0	11.42	5.31
Cadbury (Nig.) Ltd.,	-	5.6	8.2	9.12	7.40
First Bank (Nig.) Ltd	-	29.9	29.1	53.0	87.0
Union Bank (Nig.,)	-	30.6	28.8	41.55	53.85
Bata (Nig.) Ltd.,	0.5	2.7	3.4	34.31	5.69

Source: Missing Please).

TABLE 10.6. ***Nigeria: Debt-Service Ratio, 1982 - 1986***

YEAR	DEBT-SERVICE RATIO* (%)
1982	8.9
1983	17.5
1984	43.0
1985	44.0
1986	42.2

Sources:

a) Central Bank of Nigeria: Annual Reports and Statement of Accounts

b) UBA Monthly Business and Economic Digest, Various Issues.

Notes:

x interest plus principal to export ratio

The Federal Government estimates between 44% and 30% as debt service ratio for future years.

Finally, it is only when the working people in any economy own and control state power that they (the working people) can be sure of truly emancipating themselves. Anything short of owning and controlling state power is an exercise in futility. The present regime seems willing to give us that chance; we should not let it slip.