A Perspective on the State of Economics in Nigeria and the Way Forward

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Background

We learn from history that the subject we know today as **Economics** was called **Political Economy** at the time it emerged in the 18th Century. We learn also that the thinkers, or philosophers as they came to be called, whose ideas and viewpoints gave birth to political economy, were concerned about some very important aspects of life in their society, namely the production and distribution of needed goods and services. They thought about the issues deeply in order to discover the best way to organize them, i.e., the best way to organize the crucial activities involved in producing and distributing the goods and services people wanted, or, in today's language, the best system of economic organization the society should adopt. These early philosophers included Adam Smith (1723 – 1790), Thomas Robert Malthus (1766 –1834), Ricardo (1772 – 1823), and John Stuart Mill (1806 – 1864). The thoughts and reflections of these philosophers, who were later referred to as the classical school of thought, especially Adam Smith, led them to conclude that the best system of economic organization was the **private enterprise system**, or the **free enterprise system** as they sometimes called it. The philosophers advised societies to adopt the private enterprise system, and continued to reflect and generate ideas on the functioning of the system. ~~This group of philosophers were later referred to as the classical school of thought.~~

The private enterprise system produced great results in the area of production in the European societies where the system was adopted, as varieties of productive activities emerged and operated profitably. The owners of productive enterprises, and the philosophers were respected for their ideas. But soon it was discovered that the results of the functioning of the system in the area of distribution were not good; that the system in fact failed when it came to the distribution of the output of production. The pattern of distribution was so unequal and unfair that one group of the participants in production, namely the workers, received so little that their members lived in misery while the owners of productive facilities (the capital), later referred to as the capitalists, received so much that they lived in abundance. This was the first major crisis in the subject — the classical school's explanation or theory was not working. The crisis was first pointed out by a group of socialist thinkers who were later referred to as **Pre-Marxist Socialists** because Karl Marx had become the best known socialist thinker.

Pre-Marxist socialist thinkers, including William Godwin (1756 – 1836), Henri de Saint-Simon (1760 – 1825), Robert Owen (1771 – 1858) and Pierre Joseph Proudhon (1809 – 1865) traced the inequalities and misery in the society to the system of private ownership of the means of production, and argued for a system of collective ownership as the way to end inequalities and improve living conditions for workers. Thomas Robert Malthus thought it was a population problem; that the rate of population growth had outstripped the rate of growth of production. David Ricardo argued to show that the pattern of distribution was the natural outcome of the functioning of the private enterprise system and that, therefore, the inequalities in the system were bound to persist. John Stuart Mill admitted that political economy alone could not explain distribution, and argued that "the laws of the society" had a role to play in the matter of distribution.

Karl Marx (1818 – 1883) took up the socialist solution to the distribution problem that had been suggested by the Pre-Marxist socialists, and raised the argument to a level that shook public confidence in the economic ideas of the classical school. The attack forced adherents of classical doctrine to search for a credible defence, and they did. They found the defence they needed in **marginal thinking** and marginal analysis which they believed led to better explanations for some of the issues the socialists had raised in their criticisms, including the pattern of distribution of the output, determination of exchange values, and demand in general, and made economics truly scientific especially with the mathematical and statistical tools and techniques they introduced to explain their marginal concepts.

Marshall (1842 – 1924) undertook the task of reconstructing classical political economy after the attacks by socialist thinkers and other critics.

Marshall

- re-examined and clarified some of the ideas that were suggested by the classical school,
- incorporated the concepts and devices introduced by the marginalists, for example, the general idea of economic equilibrium, the demand–

supply diagram, the concepts of short run and long run, and mathematical and statistical techniques of analysis,

- shifted the focus of the subject from broad issues of production and distribution at the level of the society as a whole to narrower issues of resource allocation and efficiency at the level of small individual decision-making units in the society, for example households, firms, and industries, and
- introduced the new and shorter name, **economics**, for the subject.

Marshall's ideas and approaches, which were outlined in his new book, **Principles of Economics** published in 1890, produced a new brand of political economy or economics as the subject was now known. And, mainly because the ideas were refinements and reformulations of the ideas of the classical school, the new brand of the subject was called **neoclassical economics**.

Alfred Marshall popularized neoclassical economics in Britain and other English–speaking countries, including Nigeria, by his teaching and influence as Chair of Political Economy at Cambridge, England, for some twenty-three years.

Economics in Nigeria

Economics in Nigeria is largely the neoclassical brand of the subject. When this brand of the subject arrived via what was then the University College at Ibadan, it was presented as simply economics, and has been taught as such since then.

Neoclassical economics is an approach to the study of the economy (or economic analysis) that relies on markets (the interaction of demand and supply) for the explanation of issues, and uses mainly mathematical equations to study the economy and its various aspects. It makes a number of simplifying assumptions about the behaviour of economic agents and uses the assumptions as the basis of studies. Examples of the assumptions are that:

- People are generally rational, and they always act rationally using full information about the usefulness of the object of interest.
- Consumers of goods and services always seek to maximize utility in making purchases, and producers and suppliers always seek to maximize profits from their operations,
- The market achieves equilibrium only when consumers and suppliers achieve their respective objectives.
- The market is effective and efficient, and market solutions are always the best for the society because they are impersonal.

Based on assumptions like these, neoclassical economists build models by which they try to explain the functioning of the economy.

The outline of neoclassical economics given above may sound like a caricature of that brand of economics to adherents, but it is to a very large extent what we have been doing in our economics departments. We elevate the market to the level of a god and uncritically struggle to follow its dictates even where it is clear they are getting us nowhere. Recall, for example, "the competitive general equilibrium theory", which we enthusiastically expound in classrooms and journal articles. We use the theory, sometimes unwittingly, to defend and justify the market system, pretending that it leads us to determine "the conditions under which a decentralized market economy will reach an orderly outcome that is economically efficient". We teach and sometimes intimidate students into erroneously believing that the only way to be scientific in economics is to speak or pretend to speak the language of mathematics, and that only mathematical or quantitative studies are accepted as scientific studies. Thus, we see economics students struggle, especially graduate students, with quantitative analysis in their research projects, sometimes attempting to apply tools and processes they really do not understand, and producing "results" which they forget about almost immediately they leave the oral examination hall. The experience is the same even in many of the great Universities in the world, especially universities in Europe and the United States of America which we see as models.

The attempt to study ~~of~~ the economy via mathematical equations and econometric techniques has proved particularly exciting, and is vigorously pursued. Proponents claim that the approach permits the analysis of several relationships which we often need to be able to do, permits the solution of complex economic problems with the aid of modern electronic devices like the computer, and enhances precision and accuracy of predictions, all of which are needed to support the subject's claim to science. Critics see things differently. They argue that neoclassical economics gives a distorted view of the world and therefore, cannot be relied upon for genuine solutions to the problems that face real people in real societies. Many of the assumptions of neoclassical economics, critics argue, are unrealistic, and their preferred quantitative techniques of analysis — especially mathematical formulations of problems — often lead to the elimination of crucial factors in the issues being investigated, factors that cannot be meaningfully quantified. Clearly, quantitative techniques are useful in economics. They facilitate analysis where they are appropriately used. But to insist on formulating every problem and conducting every piece of analysis in quantitative language is an abuse of the devices. Thus, neoclassical analyses sometimes trivialize or mystify rather than illuminate phenomena.

Finally, critics of neoclassical economics point to the many economic crises and failures that have been experienced in the world since the ascendancy of this brand of economics, including: the Great Depression of the 1930s, the global credit crunch of 1982 which made it difficult for many less-developed nations to pay their debts, the Mexican financial crisis of 1995, the Asian financial crisis of 1997, and the global financial crisis of 2007 – 2009 the effects of which are still being experienced, as evidence of the inadequacy of neoclassical economics and the danger of continuing to rely on it. These criticisms and the evidence of failure pointed out seemed to have had no effect on the teaching and practice of neoclassical economies as the proponents and practitioners generally pressed on with more of the same thing. But, in year 2000, an event in France triggered a movement against neoclassical economics whose message will be difficult to ignore.

The Event in France and its Lessons

What happened in France in year 2000 provides important lessons for young Nigerian economists. Students of economics got fed up with what they were being taught and decided to petition their teachers for appropriate changes. The students argued that what they were getting in the name of economics was not about the world they wanted to understand, and called on their teachers to review the content and methods of the subject. They placed their petition in the internet. Reactions from the teachers were divided. Whereas some teachers agreed with the students about the need for changes, some others accused the students of being afraid of the mathematics in the subject and published "a counter-petition" which was "a plea for the status quo".

The French students and their supporters started a movement — the post-autistic economics (PAE) movement — and published more documents on the issues. The publications generated media and international attention, and the French Government reacted by setting up a commission of inquiry whose report essentially supported the students' petition. Debates ensued from the events involving some great American professors of economics (including neoclassicals and institutionalists), graduate economics students in the United Kingdom, and student groups and supporters in several other countries, culminating in a world-wide movement campaigning for a real-world economics. About 2004 Professor Edward Fullbrook assembled works by a large number of Professors of Economics from different parts of the world to provide **A Guide to What's Wrong with Economics** which every economist should read.

In 2007 – 2008 when the world economy crashed, most commentators blamed neoclassical economics and its methods for the crisis. They easily showed that neoclassical economics models and their assumptions, especially the assumption about the effectiveness of the market and the efficiency of its solutions, misled societies and governments into surrendering the regulation of behaviour, even in sectors as important as banking, to market forces.

For the Nigerian economy, the consequences of neoclassical economic ideas now threaten the survival of the nation. The rising unemployment in the system, growing inequalities, rising insecurity, scandalous "poverty in the midst of plenty", general hardship in the society, and increasing external dependence, after over fifty years of neoclassical economic policies and programmes, point to a consistent failure of the guiding philosophy. Unfortunately, our community has shown little real desire to challenge the status quo. We have collectively failed in our responsibilities as intellectuals. We must arise now and work to save our society and redeem our image. We must act to replace the economics that has misled and kept us down for so long, with the kind of economics that will truly enlighten, liberate, and inspire citizens to build the kind of economy and society they want.

Towards the Economics We Need

The economics that will truly enlighten, liberate, and inspire citizens must provide opportunities for genuine examination and understanding of the state of the economy at any one time, and the determinants of the state that is observed, and opportunities for developing the mental and practical skills for designing and implementing policies and programmes that will bring about the desired changes. This requires that we develop programmes and courses that enable us to examine the foundation of our subject, including methodologies, conduct genuine examination of the state of the national and international economies and the factors that explain them, and develop capacity to build and manage the economy in the changing world environment. Thus, we need to review and strengthen the **content** and the **delivery** of our programmes.

Content of Programmes

The programmes we need to deliver the new economics will have to emphasize the following areas:

- The history of economic thought; to give students the opportunity to witness the development of the ideas they are made to learn.
- Economic systems (in theory and practice): so that students can see why certain things happen or are done the way they are.
- History, structure, and development of the national economy
- Elements of some other social science subjects, especially political science and sociology, that are almost always relevant in explaining economic problems.

- Appropriate training in relevant mathematical and statistical methods: to prepare students for the many unavoidable estimations they will meet or do.
- Development of appropriate information and communications skills: to build capacity for effective participation in today's world economy.
- Sound training in research methods, including survey methods and Case Studies: to equip students to perform different kinds of studies.
- Banking, finance, and the payments system
- Entrepreneurship: to prepare students for life as organizers of production
- International economic and financial institutions
- The government in the economy: to explore the appropriate role of the government in the functioning of a modern economy
- Effective writing skills

There should be room for the development and incorporation of courses that are considered necessary from time to time.

Delivery of Programmes

The point to be made here is that teachers of economics in Nigeria will have to make more effort to be able to produce the results the society wants to see. After about forty years in the university system, I can say with confidence that poor teaching is a factor in the poor performance of our products that the public often complains about. It is true that the student's attitude to learning determines to a large extent how well he or she will do, and that many of our students these days have a very poor attitude to learning. But a more effective teaching, including guiding and counselling, should help to improve the performance of some weak students.

We need to review our methods of course delivery, especially the idea of "lecturing". I have deliberately used "teaching" instead of lecturing because I do not believe we can get the results we want by continuing to use the "lecture method" exclusively given the generally poor environment for teaching and learning that we face in Nigeria today. We have to teach, and teach well, using cases where possible to encourage students to think and practice, and assignments that are marked and discussed in class for students to learn from their mistakes. We should strive to make our subject truly relevant to the needs of the student, strive to help the student to see that relevance, and generally work to ensure that students leave the University at the end of their studies truly better informed and better equipped for a successful life in the society.

Conclusion

The neoclassical brand of economics has dominated the teaching and practice of the discipline in Nigeria since independence. This brand of economics has produced bad results for the majority of the society wherever it prevails, as in Nigeria, and it is the main reason the Nigerian economy has failed to meet the expectations of the people, in terms of job creation, reduction in inequalities, eradication of poverty, inclusive growth, and improvement of the quality of life and life expectancy. Because of the failure of neoclassical economics the world over, there have been calls for its dethronement — calls for a paradigm shift — and actions to bring that about. We in Nigeria must join in the struggle; we must work to end the dominance of a "science" that has so consistently failed to explain, and put in place the kind of economics that will enable us to build the kind of economy and society we want. Let us work on this.

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