



**NIGERIA**  
Development **Or**  
**Underdevelopment**



(Selected Seminal papers)

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## Chapter Seventeen

### THE NEW ECONOMY IN NIGERIA'S THIRD REPUBLIC

#### INTRODUCTION:

The present military administration, which came into power in August 1985, has set in motion a transition programme towards Civilian rule beginning 1990 at the State level. The local governments as third tier of Government began its own experiment without political parties in January of 1987. The final phase, which culminates on October 1<sup>st</sup> 1992, will usher in the Third Republic.

The present regime has attempted to make the Third Republic a 'new' one by emphasising the need for new breed politicians, setting up certain institutions like MAMSER and meticulously implementing the transition programme. However, certain economic policies derived from the present social formation of the country threaten the Third Republic. The Structural Adjustment Programme with its principal elements of currency evaluation, self-reliance, trade liberalization, privatization, etc. seems to question the type of economy envisaged for the Third Republic.

Since the lift of the ban on politics, more than thirty political associations have either been proclaimed or launched. Only two of these would be registered to fight for the control of State power. What will be the character of the two parties? What social forces will control the two parties and invariably State power? Do we really understand the 1<sup>st</sup> and 2<sup>nd</sup> Republics? Have the various military interventions been able to move Nigeria forward? These and other questions seem relevant in discussing the subject matter.

This paper examines the New Economy in the Third Republic with the assumption that there would be a Third Republic. However, if the Third Republic never materializes, the contents in this paper will continue to be relevant. The paper posits that the economy in the Third Republic can only be 'new' if those who produce surplus value (wealth) in the Nigerian economy own and control state power. The paper is organized thus: following this

introduction, Section 1 briefly discusses the framework of analysis as well as examining the performance of the Nigerian economy. Section 11 looks at the proposed 'new' economy in terms of its political and economic requirements. In Section 111, we conclude the paper.

#### SECTION 1: FRAMEWORK OF ANALYSIS AND THE PERFORMANCE OF THE NIGERIAN ECONOMY

##### FRAMEWORK OF ANALYSIS:

Our frame work deals with human beings. Their activity and the material conditions under which they live - both those which humans find already in existence and those produced by their activity. Our framework assumes that the material base of a society is the foundation on which all other things are built. Hence, in the formulation and implementation of any policy, the framework will focus on the effects of such a policy on humans, that is, the recipient of the end result.

This framework is usually referred to as historical and dialectical materialism or the marxian method. This method does not reject other approaches. Other approaches like the structuralist functionalist method are subsets of the historical and material method.

This framework is important especially in an attempt to understand the past, the present and the future. It is a new approach because it has not been widely accepted by the Nigerian intelligentsia as a powerful theoretical weapon. This does not mean that the theory does not exist somewhere else or that there are no basis for its development in Nigeria. It is only new for us. The New Economy must be backed by a new method of analysing and therefore understanding phenomenon.

We now proceed in utilizing our framework to ascertain how far the Nigerian economy has performed.

##### PERFORMANCE OF THE NIGERIAN ECONOMY, 1976 - 1987

In 1960, Nigeria became politically independent. Official independence meant economic dependence and since the latter is



more powerful, even political independence became questionable. Britain imposed on Nigeria neo-colonial capitalism. The integration of Nigeria into the world capitalist system accelerated and is virtually complete. The character and solution of the nationalist struggle betrayed the struggle for a truly independent Nigeria.

The implication of this is that the Nigerian economy was and is still being run by a few privileged Nigerians in the interest of the metropole as well as satisfying their own accumulative instincts. The domestic ruling class appeared nationalistic in outlook at least up to the period before the first military take-over. These few Nigerians and their supporters intensified the development of capitalism beginning 1963.

True to the elements of primitive capitalist accumulation, the early leaders began to amass wealth through corrupt means. Tribalism, nepotism, looting of Government Treasury, religious intolerance and other crimes became the order of the day. The contradictions within the ruling class became heightened that it had to be settled by an almost three years (1967 - 1970) civil war.

From 1960 to around 1972, the country's gross domestic product showed remarkable increases, yet an average Nigerian remained poor and miserable with illiteracy rate at 75%. The rural areas where the bulk of the country's wealth emanated remained underdeveloped; the Nigerians living in urban centres lacked basic necessities of life (Ekpo and Ndebbio, 1985). The coming of the military into politics did not change the situation rather, the country became more polarized into those who produce wealth or surplus value (workers, peasants, etc.) and those who buy labour power and hence appropriate surplus value (capitalists - domestic and foreign).

The windfall profits from petroleum due to the Arab oil embargo on the United States of America (USA) meant more foreign exchange for the economy. The ruling class and its lackeys became squander-maniacs - virtually everything was imported - from toothpicks to toothpaste dispensers. The elites swarm in the ocean of conspicuous consumption. More multinationals arrived into the country to tap the newly discovered oil wealth. The rural people left their areas in search of petrol-naira. There was no attempt to build a self-reliant economy.

The dependent nature of the economy meant the reliance on

external advice - what was said by the United Nations, the World Bank, the IMF, etc. on Nigeria became policy pronouncements. The country's exports went to Western Europe, North America and Japan while her imports came from the same sources. Efforts at industrialization and modernization relied on the import substitution and export led promotion strategies. Modernization meant the importation of what was considered western without taking due cognizance of the Nigerian environment. Economic policies rotated between the Keynesian type demand oriented and the neo-classical twist of less government interference.

By 1975, a country with enormous agricultural resources could not feed its populace. By that year, most of the earned foreign exchange was used in paying for imports. Programmes like Operation Feed the Nation meant to reverse the situation became an avenue for creating overnight millionaires (Idachaba, 1984, Ekpo 1985, pp. 257 - 269). Almost 15% of total imports represented food imports.

The developed capitalist economies were beginning to experience depressions. It had started around 1973 in the USA and moved into Western Europe around 1975/76. Consequently, these countries were unable to buy primary products including petroleum. The USA had devised various ways of conserving energy because of the experience of the Arab oil embargo.

It must be noted that the Organisation of Petroleum Exporting Countries (OPEC) became very strong economically and politically. This trend did not receive the blessings of the developed capitalist economies. In an attempt to 'wreck' OPEC coupled with the low demand for petroleum there was a glut in the world oil market. This excess surplus of petroleum meant declining revenues for petroleum exporting countries. However, this is not the cause of the crisis in either the developed or developing countries. Declining petroleum revenue is only a system.

The root cause of the crisis is depression, which only occurs in a capitalist mode of production. Depression is a phase in a typical business cycle or business fluctuation;

Business cycles are a type of fluctuation found in the aggregate economic activity of nations that organize their work mainly in business



enterprises. A cycle consists of expansions occurring at about the same time in many economic activities, followed by similarly general recessions, contractions, and revivals which merge into the expansion phase of the next cycle, this sequence of changes is recurrent but not periodic; in duration, business cycles vary from more than one year to ten or twelve years; they are not divisible into shorter cycles of similar character with amplitudes approximating their own (Mitchell, 1951. P.6).

Hence, depressions are inherent in capitalist economies because investment is only for profit. For a description of a typical business cycle scenario, see (Deuten and Valentine, 1978, p. 110; Ekpo, 1988b). Because of Nigeria's location in the orbit of developed capitalist countries, she experiences depression as a client. Internally, the crisis is further accelerated by the contradictions of primitive capitalist accumulated. It must be clear that mismanagement is not the cause of the crisis. It is 'partly' responsible but the fundamental cause is the inherent contradictions of the capitalist mode of production. If mismanagement was or is the cause of economic crisis then a country like the USA would never experience depression. The USA possesses one of the world's best managers yet she experiences depressions.

Table I below provides some quantitative evidence on the state of the economy after the windfall revenue from petroleum.

Apart from 1977 when the GDP grew by 6.8% and in 1979 by 5.9%, the economy consistently experienced negative growth rates beginning 1980. The slight increase in 1985 was due to improving world oil market and the impact of the economic emergency measures. The income per capita which was N385 in 1976 plunged to a low of N260 in 1985.

**TABLE 17.I: Nigeria: Economic Indications of Performance 1976-87 (In %)**

Year	GDP <sup>a</sup>	Y <sup>b</sup>	P <sup>c</sup>	U <sup>d</sup>	Discomfort Index (P + U)
1976	10.5	-	23	4.3	27.3
1977	6.8	5.2	16	-	-
1978	-5.7	-8.6	17	1.6	18.6
1979	5.9	2.7	11	2.7	13.7
1980	-0.1	-6.6	10	1.6	11.1
1981	-5.1	-5.6	21	-	-
1982	-3.8	-3.0	8	-	-
1983	-8.5	-10.8	23	4.2	27.2
1984	-5.5	-8.6	40	7.9	47.9
1985	2.4	-1.9	6	9.7	15.7
1986	-3.3	-5.8	19.5	9.1	28.1
1987	1.2	-2.0	11.2*	10.6**	21.8

Source: Computed by author from:

1. Federal Office of Statistics, Economic and Social Bulletin, January, 1985.
2. Federal Ministry of Employment, Labour & Productivity Quarterly Bulletin of Labour Statistics, various issues.
3. UBA Monthly Business and Economic Digest, Vol. II

**Notes:** a. Gross Domestic Product at 1977/73 factor cost (annual Variation).

b. GDP per capita growth rate

c. Inflation rate

d. Urban unemployment rate

\* January to August 1987 (average)

\*\* June, 1987

From 1980, income per capita fell persistently up to 1985 (Ekpo, 1988e). During the entire period, the rate of inflation remained very high hitting 40% in 1984. In recent times, the economy is not only characterized by stagflation but the inherent inflation seems to be the runaway type.

Unemployment, which was unheard of in the 1970s, became serious as a result of the depression. By 1985, urban unemployment rate stood at 9.7%. This figure is conservative when we consider the fact that not all those looking for work avail themselves of the labour exchanges. It is becoming an accepted view to perceive unemployment only among University Graduates. The discomfort index was at its highest in 1984 reflecting the seriousness of the



crisis.

The situation appears worse when we consider the quality and quantity of basic needs - health facilities, education, pure drinking water, food, etc., are all in desperate conditions (Ekpo, 1987a, Ekpo and Ndebbio, 1985). The burden and stress of depression have been very heavy on workers and peasants - the group that produces the national wealth. Workers have lost their purchasing power and millions of workers have been retrenched. This represents a colossal waste of human resources.

The economy is also plagued by external disequilibrium. An analysis of the country's balance of payments shows the situation has not been better since 1976. The country had to borrow in an attempt to restore external equilibrium and obtain more credit lines. By 1987, Nigeria's external debt stood at U\$26.2 billion (see Table 2 below).

Despite the crisis, multinationals and other companies continue to make huge profits. Table 3 below epitomizes the profit after tax for some companies in Nigeria. The profits are of the surplus value produced by workers but appropriated by those who have bought their labour power. Between 1983-84, the profits after tax of UAC (Nig.) Ltd. Mobil Oil, John Holt and Cadbury increased by 127.6%, 87.8%, 35.6% and 46.4% respectively. For the period of 1984-85 and 1985-86, the profit after tax for First Bank (Nig.) Ltd. increased by 82.1% and 64.2% respectively. For Union Bank, it stood at 44.3% and 29.6% for the same period. The huge profits notwithstanding, companies retrenched workers because of the falling rates of profits. It must be noted that part of these profits gets repatriated abroad - this further depletes the country's foreign exchange reserves.

We have paid more attention on the economic aspect of the crisis. However, the economic crisis cannot be divulged from the political, social and cultural crisis. These crises have invited the armed forces to intervene; their intervention did not alter the existing.

**Table 17.2: Nigeria: External Debt 1987, (U.S \$ Billion)**

PARIS CLUB		U.S \$
Official Creditors		8.0
Arrears/rescheduled		2.8

Total Paris Club	10.8
Multilateral Agencies	2.4
Other Official	2.0
<b>LONDON CLUB</b>	
Bank Creditor	3.4
Arrears/rescheduling	2.5
Promissory Notes	4.9
Total London Club	5.9
Short-term Loans	0.2
Total	26.2

Source: UBA Monthly Business and Economic Digest, Vol. II, No. 3 p. 2 reality. Rather, the armed forces maintained and attempted to reproduce the existing social formation.

In an effort to put the economy on a recovery path, the present administration implemented the Structural Adjustment Programme (SAP) after Nigerian's rejected the IMF loan facility. It turned out that the SAP is no different from a typical IMF recovery package. The effects of SAP on the generality of Nigerians are well known to us. In previous works, we have argued that the SAP cannot benefit the working class and its allies because it was and is still a policy measure designed to see whether a capitalist economy could recover from stagflation. Those, who gain from the SAP, are few elites, banks, multinational corporations, foreign investors and Nigerians living and working in developed capitalist economies. We shall return to the SAP issue in order to see whether SAP could be implemented with a human face and/ or whether it has an alternative.

**TABLE 17.3: 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
Nigerian Breweries	30.4	49.4	5.4	26.54	27.57
Mobil Oil (Nig.) Ltd.	19.3	13.9	26.1	28.02	16.44
John Holt (Nig.) 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



1 <sup>st</sup> Bank (Nig.) Ltd.	-	29.9	29.1	53.0	87.00
Union Bank (Nig.) Ltd.	-	30.6	28.8	41.55	53.85
Bata (Nig.) Ltd.	0.5	2.7	13.4	4.31	5.69

Source: UBA Monthly Business and Economic Digest, various issues.

We have briefly analysed the Nigerian economy in order to understand her dynamics before proposing a New Economy. The implication of our analysis suggests that, the 'New' economy must be qualitatively different from the old one. It must break with the old if it has to be 'New'.

## SECTION II: THE 'NEW' ECONOMY IN THE THIRD REPUBLIC

The New Economy in the Third Republic must be owned and controlled by those who produce the country's surplus value. The New Economy must reflect genuine democracy where the majority rules. The working people of Nigeria have never really participated in politics as a group. There have been some attempts in the past to form workers parties but none could be called a party in the strict sense. Nigerian workers, peasants, artisans, progressive businessmen, progressive intellectuals, the unemployed and other patriots must rule the Third Republic for it to be new. This will represent one of the highest reflection of democracy.

### The New Economy must have the following basic elements:

1. The absence of exploitation of man by man ensured by the abolition of private ownership and control of the commanding means of production;
2. The transformation of the working people into the sovereign master of all the wealth of the country;
3. The right of the citizen to work and be catered for in the event of sickness and old age;
4. The creative involvement on a mass scale of the working people in improving the economy and in achieving more efficient results in production - this is the basis for a steady rise in the living and cultural standards of the people;
5. Guaranteeing the right to education to all citizens.

From the above, it is clear that the new economy must be

different from the past. However, certain policies now in existence must have to be discarded, reviewed or implemented differently. Furthermore, there are various programmes and strategies like MAMSER, DEFRI, NDE, etc. - what will be their fate in the Third Republic?. This will depend on their role toward the emancipation of the working people.

The economic policy that will affect the Third Republic and invariably our proposed 'New' Economy is the Structural Adjustment Programme (SAP). A working class controlled state cannot continue to implement the SAP. How then will the state attempt to solve the current crisis which will continue up to the Third Republic.

### SAP: HUMAN FACE OR AN ALTERNATIVE?

Structural Adjustment became popular because of the IMF's various stabilization policies on member countries wishing to use the facilities of the Fund. These policies are really not new- they have been implemented since the 16<sup>th</sup> up to the 19<sup>th</sup> centuries in various European and Latin American countries. The stabilization policies re-appeared around the 1970s and early 1980s when recessions and depressions characterized the world capitalist system.

The need for Adjustment Programme arises when a country experiences disequilibrium in external trade and finance. The principal elements of an adjustment programme include:

1. adopting measures to stimulate domestic production and widen the supply base of an economy;
2. adopting a realistic exchange rate policy;
3. rationalization and restructuring of tariffs structure;
4. trade and payment liberalisation;
5. reduction and curtailment of government expenditure;
6. wage restraint;
7. adoption of appropriate pricing policies (the removal of subsidies);
8. privatization of Public Sector enterprises;
9. increases in domestic interest rates; and
10. reducing administrative controls through a heavy reliance on market forces.



From the above, it is clear that a working people controlled state will not implement the SAP. For a detailed and robust critique of the SAP see (Ekpo, 1988a, 1987, and 1988c). let us make clear that the SAP has no human face - either you implement the programme or not. Anywhere SAP is implemented, the results are the same - high rates of inflation, deteriorating social services, malnutrition, misery and poverty. It is only assumed that when the economy finally recovers and experiences boom, the gains will trickle down. It has never happened in any country in the world and Nigeria is no exception.

There is an alternative to the SAP. This alternative centers on reversing virtually all the elements of the SAP and setting in motion a programme of economic nationalism. Based on our research on the Nigerian experience, SAP can be laid to rest if government decides to seriously fine-tune the economy. We offer the following:

1. the creation of not more than 50,000 jobs in each State;
2. fixing the value of the naira to the dollar at N2.5 for 1\$;
3. halting the privatization exercise;
4. reviewing the debt situation with a view of refusing to pay some while seeking a moratorium on others;
5. stimulating and supporting the export of manufactured goods;
6. subsidizing farmers (peasants) in order to enable them produce more;
7. increasing the salaries of workers by almost 300 percent;
8. aggressively support the development of domestic technology;
9. the massive construction of residential houses for workers;
10. aggressively pursuing the development of heavy and spare parts industries;
11. taxing companies to cater for the welfare of workers.

The above are stop gap measures designed to restore dignity in men and women who invariably will produce more to sustain the economy. The measures are designed to bring some life into the economy in order for the system to take care of those who matter -

human beings. We are not suggesting that the socialist option is not possible. There is no question that socialism in theory and praxis will solve once and for all the crisis of unemployment, inflation, declining productivity and deteriorating social services. But the point is that the economy now is not socialist and the sufferings of the working people have reached unbearable proportions. Hence, a working people's party in power in the Third Republic may have to take some steps backward in order to move forward and accelerate the emancipation of the populace. In any case, State power must first be won for the socialist option to make sense. Moreover, the building of socialism is a continuous process and the process empirically is never that smooth.

As historical and dialectical materialist, we sincerely know that society must eventually be classless. But we must be careful not to be guilty of dogmatism and laziness. Socialism should not become a magic formula for all problems.

In a general sense workers rule in Nigeria is inevitable given the dialectics of the situation. However, the process of workers taking over in the Third Republic must be accelerated. Workers rule could come about either through election victory or revolution. The first option is not an easy one but it is possible as it happened in Chile. The second option, that is, revolution needs the experiences of parliamentary struggle.

The newly proclaimed Labour Party (LP) must consist of workers, farmers, the unemployed, women, progressive intellectuals, progressive businessmen, patriots, etc. It must be a mass party. It will openly contest elections and at least place concretely the plight of workers on the agenda. The formation of a party of labour and its active participation in politics may not guarantee victory at the polls. After all, elections in a primitive and developing capitalist system like Nigeria are never free and fair but full of manipulations of the electoral process by the wealthy. At least, workers will articulate their demands and their perceptions as to how the country should proceed.

The type of scenario just described may not be revolutionary but revolutionaries will emerge through such parliamentary experiences. Hence, a labour party must be a permanent formation with the object of continuous and persistent struggle until political



power is rested from those who have destroyed Nigeria. Whenever this is achieved, will be the beginning of the 'New' Economy.

There should be no illusions that a party of workers and all those who toil and suffer can emanate without struggle. No class gives up privileges without struggle. Consequently, the labour party can only be made a reality through committed struggle by all those interested in the vast majority of Nigerians taking active part in party politics. It is through this approach that the Third Republic can even be discussed.

### **SECTION III: CONCLUSION**

We have argued that the New Economy in Nigeria's Third Republic will only be 'new' if those who produce surplus value own and control State power. Consequently, the present Labour Party proclaimed by the Nigerian Labour Congress must be seen by all Nigerians - workers, peasants, students, women, youths, artisans, progressive intellectuals, patriotic businessmen, etc. as their own party. The party must struggle to come to victory and control state power. When this happens, the processes of establishing a new economy will begin to take shape.

It was also argued that the new economy must abandon the SAP and measures that will reverse positively the elements in the SAP were suggested. They included, among other things the pegging of the value of the naira at N2.50 for U.S 1\$ raising the wages of workers, massive construction of residential housing. Halting the privatization exercise, etc.

Furthermore, the performance of the economy was analysed, indicating quantitatively that the economy entered in a depressionary phase in 1980. It was alluded that the country experienced the depression as a client and that the intense stage of primitive capitalist accumulation made the situation even worse.

Finally, there can only be a New Economy in the Third Republic if Labour rules over capital. Consequently, the best this administration can do for workers, peasants, unemployed people, students, women, patriotic businessmen, etc. is to register the Nigerian Labour Party. It is the first step in seeing or even discussing anything new in the Third Republic.