NIGERIA
Development or Underdevelopment?

(Selected Seminal papers)

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Chapter Twelve

ECONOMIC PLANNING AND MANAGEMENT IN NIGERIA

INTRODUCTION:

Since independence in 1960, Nigeria has formulated and executed four development plans. The expectations from the plans, in terms of improving the standard of living of the generality of Nigerians, have been discouraging. Consequently, the role of government in aggregative planning has been subjected to questioning (Ikpeze, 1978; Okigbo, 1982).

It seems that Nigeria has accepted economic planning as an instrument for the effective management of the economy. On one hand, planning may involve only the normal task of government budgeting, the management of public enterprises and the rational time-phasing of certain public services, for example, defence expenditure and public education. On the other hand, planning consisted of making detailed blueprints of the future economic structure and implementing them via direct or indirect manipulations of government instruments. There is a Federal Ministry of National Planning responsible for this task. This paper consists that aggregative economic planning is inconsistent with Nigeria's present development path and attempts to propose an alternative development paradigm that is a sine qua non for concral planning scenario. Part 1 considers the dependent capitalist nature of the Nigerian economy vis-a-vis aggregate economic planning while in part 11 the alternative development strategy, ether option and the conclusion of the paper are presented.

Part I: Nigeria: Dependent Capitalist vs Aggregate Economic Planning.

The Nigerian economy is an integral part of the world capitalist system though she is at the periphery. The Nigerian economy depends heavily on the 'Advanced' capitalist countries of Western Europe, North America and Japan. Most of Nigeria's exports go to the EEC countries, USA and Japan and her imports emanate from the same source (Ekpo, 1986). Most companies in Nigeria are owned

and controlled by transnationals. The economy is characterized by foreign control and domination though about 3-4% Nigerians gain enormously from this situation. In essence, the factors of production in the country are owned and controlled by foreigners and the surplus generated is repatriated abroad. For the rich Nigerians (indigenous bourgeoisie) the surplus is either stock away in foreign banks or used domestically for conspicuous consumption.

The above background is important in examining the attempt at aggregate development planning in Nigeria. The development path is not as smooth or automatic as neo-classical economics would have it. It is incorrect, especially in a country with imperfect markets and incomplete adjustments, that, after an early rough period, development trickles down and spreads among persons and sectors of the economy. It makes sense to study development as a system in disequilibrium.

The capitalist economy is supposed to provide for an optimal allocation of resources at a particular point in time under the undermentioned postulates: (1) there exists perfect competition in all product and factor market, (2) technical and prices efficiency prevails; (3) consumers and producers alike have ready and complete asses to information about their productive and market opportunities; (4) absence of externalities in production or consumption; (5) a method of lump-sum taxes and subsidies designed to take care of any differences emanating between the efficient and the desired distribution of resources. The above condition must also prevail in terms of present and future production and allocation decisions.

The above conditions can never be met in the real world hence market forces can not entirely be relied upon for spreading economic development. Thus, planning becomes an imperative and most developing countries like Nigeria have good reasons for trying to supplement for 'free' market forces through planning. This is done with the hope of mobilizing additional resources, "mashall existing resources more efficiently, bring interdependencies and externalities into the decision-making calculus, change expectations, and, reduce inequalities and uncertainties" (Yotopoulous and Nugent, 1976, pp. 398-399).

In a capitalist economy in order to continue capitalist development. The important role of government became apparent during the Great Depression of the 1930s with the pioneering work of J. M. Keynes (Keynes, 1936). What is important in capitalism therefore is micro planning, that is, individuals attempting to maximize their utilities while firms do the same with respect to profits. The Nigerian situation seems pathetic. The private sector is foreign-owned and controlled. These transnationals cannot be controlled effectively in countries where they originate albeit in Nigeria (Wilber, 1982). The attempt at aggregate economic planning in Nigeria is at variance with dependent capitalism. The Nigerian government cannot effectively control the variables that could be manipulated. For example, certain projects have to be evaluated before their inclusion in any development plan.

An investment criterion is a formula by which alternative investment opportunities or packages can be compared or ranked. A comprehensive and general criteria and rules set for examining and prescribing investment decision is that of present value. The present value criterion is represented by:

$$V_o = \frac{R_o}{(1+r)} + \frac{R_1}{(1+r)} + \frac{R_2}{(1+r^2)} \ldots + \ldots + \frac{R_n}{(1+r^n)} \qquad (1)$$

Where:

Vo = the present value of the net return stream

$R_o, R_1, \ldots R_n$ = time horizon

$r^1, r^2, \ldots r^n$ = expected interest rates

If the interest rates are assumed constant, equation (1) becomes;

$$V_o = \frac{R_o}{(1+r)} + \frac{R_1}{(1+r)} + \frac{R_2}{(1+r^2)} \ldots + \ldots + \frac{R_n}{(1+r^n)} \qquad (2)$$

In the special case in which Ro = o and the net returns stream is constant ($R_1 = R_2 = \ldots R_n$) over an infinite time horizon, the criterion simplifies to:

$$V_o = \frac{R}{r}$$

or where Ro ^{1} o to

$$Vo = R\frac{(1+r)}{r}$$

From the above, it is assumed that the welfare goal is to

maximize wealth and market opportunities would result in an optimum. Normally, a project is adopted if Vo = 0 and individual projects have to be independent of each other. Whether it is the present value or the internal rate of return (marginal efficiency of capital) approach that is utilized it remains that the economy could receive an external shock, for example, the decrease in petroleum prices that could render the entire exercise fruitless.

The Nigerian government interventionist policies only help the indigenous bourgeois class to accumulate wealth. The role of government under capitalism should be that of regulating the economy to reduce excesses. The private sector, though controlled by foreigners would then operate 'efficiently'. The implications of this are many: (1) the private sector would be able to increase its labour force though at a reduced wage rate (that is, exploiting cheap labour); (2) the Nigerian middle class begins to 'enjoy' the benefit of capitalist development (3) millions of Nigerians would join already populated poverty class and (4) Nigeria would become another Taiwan or South Korea!

It is indeed a laughing matter for Nigerian policy-makers to embark on aggregate economic planning for an economy not owned and controlled by the Nigerian people. An economy in which the banks and other companies are subsidiaries of multi-nationals. It has been shown elsewhere that certain industries in Nigeria are inefficient due to aggregate planning (Chawid and Ekpo, 1986). Let us examine a typical aggregative planning model in order to elucidate the problems involved. The aggregative planning model often used in Nigeria is the Harrod-Domar. Its use is derived from the relative case with which the model can be applied.

The Harrod-Domar Model:

The model assumes (1) that the labour force grows at a constant rate overtime (2)there is no technical change and (3) the capital-output ratio is constant. Following (ott, ott and yoo, 1975) Let

$$u = (u/N) + N \qquad (1)$$

$$P = W - (Y/N) \qquad (2)$$

Where:

u = the rate of economic growth

Y/N	=	the growth rate of the labour force
P	=	rate of change of the price level
ê	=	rate of change in money wage.

Also, in the absense of loge, planned investment I is equal to planned savings.

For particular year to. Let K represent the full-capacity utilization of capital stock, i.e. $k = vY$ . . . (3)
where v is a fixed coefficient representing the capital-output ratio. The flow equilibrium between planned investment and savings is then;

$$\frac{dk}{dt} = sY \quad . \quad . \quad . \quad . \quad (4)$$

where s = both the average (APC) and marginal propensity to save (MPC).
As stated above, the labour force grows by assumption at a constant proportional rate n. Thus:

$$N = Noe \quad . \quad . \quad . \quad (5)$$

where No = an initial labour force.
Let u be the labour-output ratio; uY becomes the demand for labour. Labour market equilibrium is:

$$N = Noe = uY \quad . \quad . \quad (6)$$

From equations (3) and (4), we have a differential equation:

$$\frac{dk}{dt} = \frac{v\,dy}{dt} = sY$$

or

$$\frac{1}{dt}\ \frac{dy}{dt} = Y = \frac{s}{v} \quad . \quad . \quad (7)$$

Equation (7) gives the equilibrium growth rate consistent with full-capacity use of capital. For labour to be fully employed; its growth rate n must equal to that of output:

$$n = \acute{Y} = \frac{s}{v} \quad . \quad . \quad . \quad (8)$$

Hence, the equilibrium growth paths in the product and factor markets c 1 a equation (8) are:

$$Y = Yo\,e$$
$$K = Ko\,e$$
$$N = No\,e \quad . \quad . \quad . \quad (9)$$

where $g = s/v = n$. interpreting the full-capacity condition such that the increment in capital (1) is fully used-up at a constant capital-output ratio, the increment in capital (I) would replace k in equation (g):

$$I = Io\,e \quad . \quad . \quad . \quad (10)$$

where: I = the addition to the capital stock.
At equilibrium I is equal to savings (s):

$$I = sY$$

According to equation (11), growth can be increased either by expanding the fraction of national income saved or by decreasing the capital /output ratio. Lowering the capital/output ratio implies increasing the effectiveness with which the capital stock is used in producing output.
"The monistic pre-occupation with capital is again largely the result of direct international transference of approaches developed for the DCs, with minor modifications to fit the 'special case, of the LDCs. As such, it is an abortive crossing introspective generalization with imminent empiricism" (Yotopoulous and Nugnt, 1976, p. 12).

The amount of capital needed in the Nigerian economy is influenced by foreign exchange availability. Even if the two-gap model is collapsed into the Harrod-Domar, the problem appears the same. The private sector that is capable of bringing in the capital by whatever means is subjected to governmental control and restrictions as evidenced by the import licenses allocation. This pre-occupation with capital fundamentalism has been a serious problem for counties like Nigeria. Credit and foreign exchange licensing have been used to supplement the role of the price mechanism in stimulating savings and investment. If the internal saving are not enough, government has to go borrowing or bring harsh measures to bear on citizens.

The dependent nature of the Nigerian economy on foreign technology, foreign exchange, and foreign expertise could render any attempt by government to control the economy fruitless. Government cannot control what it does not own.

The fact of the matter is that central planning grows out of the experiences of socialist countries. These countries, for example, the USSR, wanted to do away to a large extent with price mechanism since it had abolished private ownership and control of the means of production. The USSR therefore needed a comprehensive aggregate planning to tackle the problem of social ownership of the factors of production. For a country like Nigeria which is building capitalism, the best way to regulate the economy through yearly budget pronouncements and not aggregate economic planning.

Part11: Socialism and Aggregate Planning:

Social ownership of the means of production brought about by the social character of the production process is consistent with aggregate economic planning. The abolition of private ownership and of means of production and hence the attempt to distribute goods and services on equity basis gave rise to central planning.

Under socialism, planning is defined as "the system of managing of economic processes involving production, distribution, investment and consumption. Its essence consists in determining economic targets and methods for their implementation, in particular the allocation of the means of production and of labour to different uses. As such, planning is an instrument of economic strategy to achieve the optimum growth of national income or the maximum satisfaction of social needs" (Wilczynski, 1977, p. 33). Planned management of the economy ensures its smooth, crisis-free development at high, stable growth rates, with full employment and increasingly efficient use of resources. The successful performance of a socialist economy is organically linked with planned management.

Planning under socialism involves the implementation of a broad social programme to raise wages, improve pensions and social insurance, lower taxes and other measures, carried out under conditions of general stability of state retail prices. The underlying prinçiple of the organization of economic planning under socialism is that of democratic centralism.

Democratic centralism assumes and means the combination of centralised planning guidance and growing independence and initiative on the part of local authorities, co-operative efforts and organised production work forces. It implies that the process of compiling the plan is carried out at all stages with the participation, and under the control, of the masses of working people. For

example, if Nigeria were building socialism, the compilation of the various plans would emanate from the grass roots, co-operative movements, etc before reaching to the National planning Ministry.

Socialist planning and capitalist programming differ fundamentally as regards their social character, functions, and methods, owing to the fundamental difference between property relations under capitalism and socialism (Serri, 1977, p.28). Socialist planning is concerned with ascertaining the volume and structure of social needs and the material resources and manpower required to satisfy them. Its specific task is to assess the needs of society as a single entity. This function first arose historically along with the emergence of the new social system. The approach to planning from the point of view of social needs means taking into account not only current consumption needs but also the necessity of continually raising the standard of living:

Capitalist planning does not and cannot put forward the planning of social needs as its objectives since under capitalism the link between production and consumption is broken by spontaneous market forces and it is impossible to establish this link with the help of programming without affecting private property.

In a socialist economy, the main criterion of the efficiency of social production is achievement of the best results at the least cost in the interests of society. Capitalist ownership makes it impossible to raise the question of maximum satisfaction of social needs on the basis of efficient use of all society's resources because of the basic contradiction between efficiency - the point of view of society as a whole and of the individual capitalist or group of capitalists joined together in a monopoly. This typifies that socialist construction is the principle that what benefits society and the economy as a whole benefits the individual company and its workers.

Nigeria: Options for Revitalizing the Economy: The Capitalist Option:

If Nigeria continues the capitalist path of development then central planning must be replaced by indicative planning. Indicative planning consists essentially in making recommendations for the private sector. These recommendations may not be implemented if they are contrary to its interests. Moreso, the dependent nature of the Nigerian economy renders such approach meaningless. The modern capitalist economy continues to remain unplanned, because the basis for this lack of planning is still preserved, that is, the predominance of private ownership and foreign finance capital. The Nigerian economy is an integral part of the world capitalism hence any internal revitalization and stabilization policies may have a temporary palliative effect since she could not be hit by depression from the advanced capitalist countries of the world.

The capitalist option will mean doom for Nigeria as is evidenced by the unacceptable number of unemployed, declining productivity, inflation, social crises etc. in recent years. The paradox of this is that modernized economic development in the real sense has not been achieved rather under development is taking place. Therefore, the capitalist path is no longer an option on any groups whatever.

Table 12.1: Nigeria: Profits After-tax of Selected Companies 1983-1984 (N million)

COMPANY	1983	1984	%Change
UAC (Nig.) Ltd.	13.6	30.96	127.6
Nigerian breweries Ltd.	49.0	55.4	13.1
Mobil Oil	13.9	26.1	87.8
John Holt Ltd.	10.0	13.7	35.6
Texaco (Nig) Ltd.	14.5	15.0	3.4
Cadbury (Nig.) Ltd.	5.6	8.2	46.4

Source: UBA, Monthly Business and Economic Digest, Vol. 8, No.5, May 1985, P. 9.

The Socialist Option:

We have argued above that aggregate economic planning is consistent with the socialist development path because socialism involves the maximum satisfaction of social needs on the basis of efficient use of all society's resources. The anti-thesis to capitalism is socialism. The socialist option for Nigeria implies the construction of a self-reliant economy based on selective engagement with foreign countries. It means the freeing of the economy from imperialism and other forms of foreign domination.

Regardless of the planning model used, (social accounting matrix, macroeconometric, open Leontief, Input-output, etc.) the existing mode of production determines the strategies and objectives of a given plan. The socialist option is not only inevitable in Nigeria but it is also independent of our will. This option will not render managers, managing directors' etc. unimportant. Rather, their role would be enhance in the sense that they would be carrying out their day to day assignment in the interest of the Nigerian people and not just for a few individuals or group of people. The workers would have a sense of belonging knowing that their livelihood depends on how hard they work to generate surplus (es) for the state and not for individuals or a few capitalists. The socialist option in no way connotes perfection but at least the means of existence (jobs) and other basic needs are guaranteed. Managers and workers would participate jointly in finding solutions to whatever problems are facing their companies.

CONCLUSION:

We have attempted to show that aggregate economic planning is inconsistent with the dependent capitalist path of the Nigerian economy. If Nigeria continues on the capitalist path of development then indicative planning seems plausible though imperialist domination of the economy renders any attempt at capitalist development detrimental to the generality of the Nigerian people. Hence, the capitalist path should not be an option.

We contended that aggregate economic planning strategy sees the maximum satisfaction of social needs as fundamental. Both capitalist and socialist scenarios were compared within the frame of aggregate economic planning. These issues and others are left for discussions in this seminar.