UNIVERSITY OF UYO

THE STRUGGLE FOR DEVELOPMENT: WHY HAVE SOME PEOPLE BEEN SO UNSUCCESSFUL?

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10TH INAUGURAL LECTURE

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1.0 INTRODUCTION

I took the decision to study economics about thirty years ago. It happened at the University of Ibadan where I was fascinated by the issues that were discussed in the subject, and by the prestige that both the teachers and students of the subject enjoyed at the time. I was excited by the prospect of understanding some of the many things that puzzled me about life in the society, for instance, why some people and some communities were rich while others were poor, and how people and communities could become richer and happier over time- the prospect of understanding the world in which I lived and being able to live a better life. I was convinced that my admission had given me a wonderful opportunity, and I was determined to make the most of it.

Less than half way into the first year of my programme, things became different from what they had seemed. The concepts: demand, supply, prices and price determination, perfect market, equilibrium, and the many others, remained interesting, but the explanations and conclusions in several areas were not leading in the direction I had expected. And the language in which several aspects of the subject were communicated - Mathematics - did not help matters. The excitement began to evaporate. Many of my colleagues had the same experience, and several of them immediately transferred to other departments. I got close to taking that decision, but in the end I didn't; I turned the blame on my weak background and decided to press on.

As we began the second year of studies, a new course was introduced. It was called '**Development Economics**'. Our very enthusiastic and inspiring teacher introduced and explained some very interesting concepts and issues. They included the concepts of development and underdevelopment of countries, economic growth, employment and unemployment, the role of agriculture in the development process, industrialization and its role in national development, the roles of international trade, foreign aid, and foreign investments in the development of backward economies and societies, and development planning. These were clearly issues of immediate relevance, the kinds of issues that contained possible clues to some of my puzzles. The excitement returned, and without any conscious decision, 'development economics' had become my area of special interest.

From that very exciting beginning in development economics, I went on to do higher studies in the area when I decided to join my teachers in what I saw as a noble profession. Since then the experience has been both exciting and frustrating: exciting as I became aware of the possibilities and opportunities for transforming human societies and ending hardship and suffering, but frustrating when I see that almost everywhere we look today, especially in Africa, including our country, Nigeria, we see mass poverty, squalor, and misery in spite of the enormous potential for material progress. It is a great relief to be able to relate my experience to this distinguished audience today, and I am delighted at the opportunity. I will start with the background to this branch of economics.

2.0 DEVELOPMENT ECONOMICS: THE BACKGROUND

The subject area we call **development economics** today is one of the youngest branches of the subject. It emerged after World War II due to developments in the discipline. We will therefore step back in time to look at the evolution of economics itself in order to see the circumstances that gave birth to development economics, and we will do so using the diagram in fig 1.

THE FAMILY TREE OF ECONOMICS

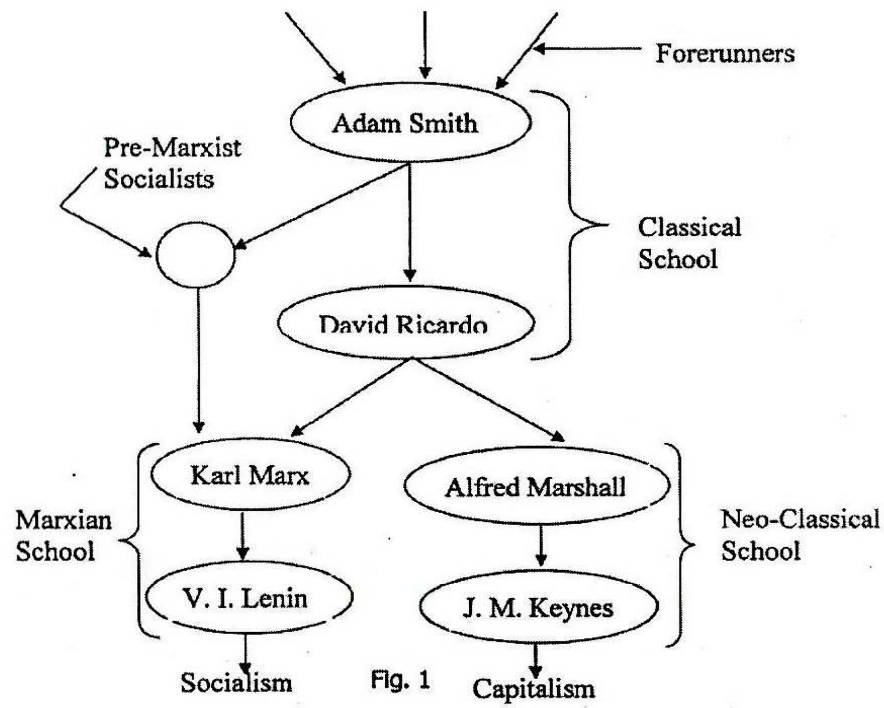

Fig. 1

Adapted from Samuelson, P. A. (1948). Economics. New York: McGraw-Hill.

We will summarize the story in five main points.

1. It is difficult to say precisely when the field of inquiry we call economics today began. The story is that the subject, in its modern form, emerged about the close of the 18th century when it was called **political economy,** a term we learn was first used in England in the title of Sir James Steuart's book, **Principles of Political Economy,** published in 1767. [Katouzian (1980, p.179)]. Adam Smith played a major part in the development of economics with the publication of his great work, **The Wealth of Nations,** in 1776. But there were other important contributors to the subject who cannot be ignored. These were the contributors we refer to as forerunners in the family tree. They include the following:

- **The Greek Philosophers,** who drew attention to the role of the state in the individual citizen's desire to live a good life, and the need to examine the 'art of acquisition', i.e., the character and quality of the 'wealth-getting activities' of citizens. [Ekelund & Herbert (1990, pp. 14-24)];
- **The Mercantilists,** who showed the positive effect that government regulation of aspects of the economy could have on the society, and on the power and image of the nation, and inspired such actions in Europe, actions which led to the accumulation of resources by European nations with which they built their economies;
- **The Physiocrats,** who introduced the idea of 'model building' as an explanatory device through their famous **Tableau Economique** and laid the foundation for the emergence of economics as a scientific discipline by emphasizing, in their approach to inquires, the search for 'the laws' that govern things;

- **Richard Cantillon,** (1685 - 1734), who examined many of the issues we are still concerned with today, and contributed so much that in 1881 when another great philosopher, Stanley Jevons, saw his work he described it as 'the Cradle of Political Economy'. [Bhatia (1981, p.42)].

Adam Smith's work turned out to be the most influential, but it is only fair that we recognize the other important contributors and consider all of them together as the founding fathers of the subject

2. The classification of the contributors into three main schools of thought is based on the views of the philosophers on the major issue in the discipline, namely the economic system a society should adopt: capitalism (market-directed economy) or socialism (government-directed economy). The capitalist system, first suggested and supported by the classical school, is today supported and promoted by the neo-classical school. There are sub-schools within the broad neo-classical school; they include the institutionalist school, the monetarist school, and the post-Keynesian school. The sub-schools disagree on several issues, especially the extent of government involvement in the economy, but we have put them together here because they all accept the capitalist system, or market system as it is more commonly called today. The Marxian school rejects the capitalist economic system; it prefers and seeks to promote the socialist system, i.e., government-directed economy.

3. The two arrows that lead from Ricardo to each of the two schools show not that Ricardo was the last of the classical political economists, because he was not, but

that each of the schools was able to draw something from some aspect of Ricardo's analysis to buttress its own argument. The two schools of thought have engaged in intellectual competition since the subject emerged as an independent field of inquiry.

4. In the battle for other minds, the neo-classical school has prevailed throughout history, both in theory and in practice. Thus, the economic ideas of the neo-classical school came to be known as mainstream economics or **orthodox economics,** and we have many more market (i.e., capitalist) economies than socialist economies in the world.

5. Because of our historical experience, especially colonialism, the economics that came to Africa was mainly the neo-classical variant - orthodox economics- that supports the market system. The colonial powers, the major European nations, were themselves operating the market system and so they transferred the market system of economic organisation, together with its supporting philosophy or ideology as some people prefer to call it, to their colonies and other parts of the world in which they had influence. And, largely for their own interests, or the interest of the powerful and dominant groups they served back home, they insisted on running or having the colonial economies run the way their mature home economies were run, the differences in circumstances notwithstanding. It was the frustrations that soon emerged in the attempt to apply neo-classical economics in the management of the backward economies of Africa, Asia, and Latin America, and the triumph of socialism in Russia, that led to the emergence of development economics.

Critics of neo-classical economics were particularly concerned about the assumptions about the role of free markets and the price mechanism, and the prescriptions of minimal government involvement in and reliance on free markets and the price mechanism for the growth and development of the economy [Sen (1996, p.8)]. They considered the prescriptions inappropriate to the kinds of problems that the less-developed countries (LDCs) faced, particularly the terrible state of poverty, the woeful lack of capacity to produce even basic food needs and the resultant dependence of the economies on external markets and foreign assistance, and the need to address economic inequalities. The neo-classical prescriptions needed to be modified. In particular, there was need for active government involvement in the economy in LDCs to stimulate activities and create employment opportunities, address the several economic and social problems the market mechanism could not address (e.g., the production of public and merit goods, stabilization of prices and redistribution of income), and to speed up the process of growth and development. These views were inspired by the successful case that John Maynard Keynes had just made for government participation in the economy; the Keynesian revolution in economic thought and economic management.

The second set of factors had to do with the emergence of the socialist economic system as a viable alternative to the neo-classical economic system of capitalism. The belief of most neo-classical economists was that socialism could not work, and that the first major socialist attempt, the Union of Soviet Socialist Republics (USSR), would collapse. But the USSR survived, and beyond surviving, it 'demonstrated an enormous productive capacity and considerable flexibility in patterns of production, and socialist economists felt sure of the effectiveness of socialists institutions and planning' [Higgins & Higgins, (1979, p. 57)]. This impressive performance of a government - directed economy, provided a fresh impetus to the arguments for a new kind of economics for the less-developed countries, and the ideas that were generated produced a body of thought, a new doctrine, that came to be called 'development economics'.

3.0 MEANING OF DEVELOPMENT

In the early days of the subdiscipline, the founding fathers thought of development in terms of some narrow economic criteria. They saw development largely as synonymous with 'economic growth', the achievement of annual increases in the output of goods and services. According to this view, a country was developing if its gross national product (GNP) was growing at a rate of between 5.0 and 7.0 percent. Another economic indicator was a rising level of industrialization, measured by changes in the share of industrial output in total domestic output. Sometimes the scholars made references to desirable changes in a few social factors, e.g., literacy and health, as additional indicators. But the overriding indicator of development was economic growth.

It was generally believed that economic growth would bring about the changes that were needed in the LDCs: more jobs for the people, a wider distribution of the economic and social benefits of national production, a reduction in the level of poverty, and a general improvement in living conditions. This type of thinking led many development economists in Europe and America to advise the LDCs to pursue economic growth in their efforts to develop their economies. Thus, when the United Nations (UN) declared the period 1960 - 1970 as its 'First Development Decade' (DDI) in an attempt to speed up the development process in the backward countries, a target growth rate of 5.0 per cent was set for each country. Industrialization was to be the main strategy as it was both the surest way to achieve a fast growth in output and an important component of development.

Many LDCs, including Nigeria, responded to the UN challenge. And almost all of them began with a vigorous pursuit of industrialization. The result was that many of these countries easily made the UN target growth rate. Some even surpassed it. But, in most cases, the high growth rates had little positive

impact on living conditions of large segments of their populations. Masses of people remained openly unemployed, absolutely poor, illiterate, and disadvantaged in the distribution of income, wealth, and political power. This state of affairs led to a questioning of the economic criteria of development.

Radical economists and other social scientists, especially sociologists and political scientists, challenged the neo-classical view of development. They argued that development must mean more than economic growth; that it must mean, in particular, the 'liberation' of people, liberation from 'the oppressive forces of nature' and from control and manipulation by other nations. And it must involve frontal attack on the major indicators of backwardness, for instance, unemployment, economic inequalities, and abject poverty. These views, and the proven inadequacy of the narrow criterion of growth, forced a rethinking. [Jameson & Wilber (1979, pp 1-38)].

Today, most economists and social scientists in general agree that development is 'a process of improvement with respect to a set of values', 'values' here meaning 'desired conditions in the society' [Colman & Nixson, (1978, p.2)] And in almost every society, such desired conditions include,

- increased capacity to produce needed goods and services;
- reduction in the level of unemployment;
- reduction in economic inequalities (both personal and regional);
- reduction in the level of absolute poverty;
- increase in real output of goods and services (i.e., economic growth);
- improvement in literacy and the levels of social and political consciousness and participation; and
- improvement in the quality of life, as measured by access to clean and safe water, adequate health services, and decent accommodation.

These conditions are all important in every society because they work together to improve social welfare. They also have a positive effect on the external image of the society.

Economic growth, as we can see, is one of the desired conditions in every society, and it is important. But growth alone cannot be used as an indicator of economic performance and social well-being. Economic growth would be a very poor indicator of performance not only because it is possible for a country to achieve growth while the other indicators of performance and social well-being are deteriorating, as was experienced during DDI, but also because of the many problems involved in the estimation of growth indices especially in LDCs where underground economic activities are substantial, statistics are poor, and the capacity needed for the estimation of economic indices is limited.

Another point that has to be stressed is that 'development' is a multi-dimensional phenomenon. From the indicators outlined, we see that development has economic, social, political, and technological dimensions, among others, all of which are crucial. Thus, nations seeking to develop will have to take the multi-dimensional nature of the phenomenon into account if they wish to achieve the objective.

4.0 STRATEGIES FOR DEVELOPMENT

In the early days of development thinking, the preferred strategy was industrialization. To most of the founding fathers and advisers, industrialization was the obvious strategy because industrialization alone appeared to explain the gap between the rich and the poor nations; it was the level of industrialization that distinguished the 'developed' from the 'underdeveloped' countries. Thus LDCs needed to take steps to industrialize their economies to be able to attain the level of social well-being that characterized the more-developed countries (MDCs).

The strategy for industrialization also looked obvious; it was 'import substitution', the strategy of initiating industrialization by establishing factories and firms to produce for the domestic market goods that were hitherto imported. This had to be the strategy given, in particular, less-developed countries' lack of familiarity with industrial systems and industrial procedures, and the fact that apart from the first industrial nation in the world, England, virtually all major industrial nations started by promoting manufacturing industries that produced for their domestic markets. Import-Substituting Industrialization (ISI) was therefore 'the natural first step' for the LDCs in their struggle for development.

The lack of experience in industrial matters, especially lack of relevant knowledge, relevant skills, and required capital, was to be overcome by importation. The advice was for the LDCs to induce foreign industrialists to invest in their domestic economies, using incentives such as tax allowances and guarantees concerning security of investment and repatriation of profits.

The way out of LDCs' backwardness now seemed clear. Many of them, including Nigeria, responded enthusiastically. Each country designed and implemented a variety of investment incentives, and many of them successfully induced foreign industrial investments in their economies, so that soon they came to have significant nascent industrial enterprises producing for the domestic economies some of the goods they were importing before. The expectation was that the young industries, or infant industries as they came to be called, would grow and generate the economic expansion needed to transform the domestic economies and lift the societies out of backwardness and poverty.

5.0 DEVELOPMENT STRATEGIES AND PERFORMANCE

After about a decade of import-substituting industrialization in the LDCs, observers reported mixed results. While some of the countries succeeded in stimulating the growth and transformation of their economies and societies, others - the majority of them - were unsuccessful.

The Successful Cases:

The countries that were shown to have succeeded include Singapore, Republic of Korea, and Taiwan. These three countries, and Hong Kong, did so very well economically that their performance came to be described as **a miracle**, and the countries became **economic tigers,** the Four Asian Tigers.

The remarkable performance of the four East Asian countries was initially reported in terms of per capita income and export of manufactured goods especially to the world's largest economy, the United States. Tables 1.0 and 2.0 summarize the information.

TABLE 1.0

GNP PER CAPITAL, LEVEL AND COUNTRY RANK (US $)

COUNTRY	1962		1986	
	Amount	Rank	Amount	Rank
Hong Kong	$ 450 . . .	40th	$ 6906 . . .	28th
Korea, Rep. of	$110 . . .	99th	$ 2372 . . .	44th
Singapore	$ 490 . . .	38th	$ 7411	25th
Taiwan	$ 170 . . .	85th	$ 3580 . . .	38th
Brazil	$ 240 . . .	67th	$ 1811 . . .	55th
Japan	$ 610 . . .	30th	$ 12,838 . .	11th
United States	$ 3095. . .	1st	$ 17,475 . .	2nd

Source: Wade, R. (1990). Governing the Market. New Jersey: Princeton University, pp. 34-37.

The story is that within the twenty-five year period, 1962 to 1986, the four countries - Hong Kong, Korea, Singapore, and Taiwan - grew at an annual rate of about 8.0 per cent, and as a result their rankings on the world per capita income table rose remarkably. The countries also did remarkably well in the export of manufactured goods as we see in table 2.0.

Table 2.0

COUNTRY RANKS IN EXPORT OF MANUFACTURED GOODS TO US MARKET

COUNTRY	RANK	
	1962	1986
Hong Kong	9th	9th
Korea, Rep of	40th	5th
Singapore	70th	11th
Taiwan	21st	4h
Brazil	29th	13th
Japan	2nd	1st
Mexico	13th	7th

Source:

UN Statistical Office, Commodity trade Data File, Reproduced in Wade, R. (1990), Governing the Market. New Jersey: Princeton University, p. 37.

Table 3.0 gives more recent information on the growth performance of the four East Asian countries and some other countries that adopted the same initial development strategy of industrialization.

TABLE 3.0

TREND IN GDP PER CAPITA (1995 US $)

COUNTRY	PERIOD					
	1975	1980	1985	1990	1998	2002*
Hong Kong, China	7404	11290	13690	18813	21726	26910
Korea, Rep. of	2894	3766	5190	7967	11123	16950
Singapore	8722	11709	14532	19967	31139	24040
Argentina	7317	7793	6354	5782	8475	10880
Brazil	3464	4253	4039	4078	4509	7770
Chile	1842	2425	2345	2987	4784	9820
Mexico	3380	4167	4106	4046	4459	8970
C tedIvoire	1035	1045	879	791	823	1520
Ghana	411	394	328	352	399	2130
Kenya	301	337	320	355	334	1020
Nigeria	301	314	230	258	256	860
Pakistan	274	318	385	448	511	1940
Bangladesh	203	220	253	274	348	1700

*Figures based on PPP US $.

Source:

UNDP (2000). World Development Report 2000. Oxford: Oxford University, pp. 178 - 181.

UNDP (2003). World Development Report 2003. Oxford: Oxford University, pp. 139-142.

When, later, the United Nations (UN) developed and began to use a more comprehensive indicator of the impact of development efforts on human well-being, the human development index (HDI), the indices for the four East Asian miracle economies were also impressive. Within the space of twenty years or so three of the countries for which we have data - Hong Kong, Korea, and Singapore - had moved from the class of medium human development (0.500 - 0.799) to the class of high human development (0.800 and above). Table 4.0 gives the details, including HDI rankings.

TABLE 4.0

TREND IN HUMAN DEVELOPMENT (1975 – 1998)

COUNTRY	HUMAN DEVELOPMENT INDEX (HDI)*					HDI RANK	
	1975	1980	1990	1998	2002	1998	2002
Hong Kong, China	0.753	0.792	0.855	0.872	0.903	26	23
Korea, Rep. of	0.684	0.722	0.807	0.854	0.888	31	28
Singapore	0.725	0.756	0.823	0.881	0.902	24	25
Argentina	0.781	0.795	0.804	0.837	0.853	35	34
Brazil	0.639	0.674	0.706	0.747	0.775	74	72
Chile	0.702	0.736	0.780	0.826	0.839	38	43
Mexico	0.687	0.731	0.757	0.784	0.802	55	53
Pakistan	0.352	0.383	0.462	0.522	0.497	135	142
Bangladesh	0.329	0.348	0.412	0.461	0.519	146	138
C te dIvoire	0.366	0.398	0.406	0.420	0.399	154	163
Ghana	0.434	0.465	0.510	0.556	0.568	129	131
Kenya	0.441	0.487	0.530	0.508	0.488	138	148
Nigeria	0.317	0.373	0.411	0.439	0.466	151	151

*HDI is an attempt to quantitatively assess the impact of development efforts on human well-being. The indices range from 0.000 to 1.000, and the interpretation is that high indices show high levels of human development while low indices show low levels of human development. The UN uses the indices to classify countries into 'high human development' (0.800 and above), 'medium human development' (0.500 - 0.799), and 'low human development' (less than 0.500).

Source:

UNDP (2000), Human Development Report 2000, Oxford University Press, Oxford, pp. 178 181. Also 2003 Report, pp. 143-146.

A few other countries also performed well economically, although not nearly as strongly as the 'tigers'. This group includes Argentina, Brazil, Chile, and Mexico in the Latin American Region. Argentina and Chile moved from the medium human development category to the high human development category within the twenty-year period shown in table 4.0, while Brazil and Mexico maintained their positions in the medium human development category.

The Unsuccessful Cases: We have in this group mainly African countries and a few South Asian countries. The striking cases include Nigeria, Bangladesh, Pakistan, Kenya, Zambia, Côte d'Ivoire, and Ghana. Some of these countries failed so very badly that economic and social conditions actually declined over time: economic inequalities (especially regional inequalities) became worse, open unemployment rose and became widespread, poverty became more severe, and the economies and societies became even more dependent on the more-developed countries. The failure of the development efforts of these countries shows up in both the income statistics in table 3.0 and the human development indices in table 4.0. We will examine one of these cases, Nigeria, to see what we can learn about the failure of the development efforts of the countries in the category.

6.0 THE CASE OF NIGERIA

The struggle to develop the Nigerian economy and society began in the colonial days, about 1946, with the launching of the so-called 'Ten-Year Plan of Development and Welfare for Nigeria' by the colonial administration. We should therefore begin our examination of what has happened in the country from that period.

6.1 COLONIAL DEVELOPMENT EFFORTS, 1946 - 1960:

The colonial government, in line with the prevailing economic viewpoint at the time, saw development as economic growth. And the way to pursue the desired growth was to adopt the classical economic doctrine of 'laissez-faire', i.e., to rely on private enterprise driven by market forces. Accordingly, the government, starting with its 'Ten-Year Plan of Development and Welfare', concentrated public resources on the provision of social services and infrastructure in general, believing that the availability of these facilities would induce private investments in industry and agriculture that would bring about the jobs, the modern skills and production techniques, and the goods and services necessary for the desired 'development and well-being'.

Later, beginning in 1955, the colonial administration accepted the Keynesian argument for government participation in the economy and began to get involved in setting up and running industrial and agricultural enterprises. Two local factors also contributed to this modification of the government's approach to economic management. They were the realization that the private indigenous business community was not yet able to provide the necessary initiatives, leadership, and technological capabilities for industrialization, and the promptings of eager indigenes in government who now constituted a significant force in public policy making following the 1954 constitutional changes.

In addition to government participation in the economy, the colonial authorities took steps to encourage and induce foreign industrial investments in the country. They mounted a campaign in Europe in which they sought to make known to European industrialists the opportunities that were available for industrial investments in Nigeria, and announced a number of incentives, including generous assistance schemes especially for 'pioneer industries', income tax relief, and guarantees on security of investments and freedom to repatriate capital 'at will'. The campaign had the desired effect as foreign investors began to show interest in the economy and initiated actions that led to industrial investments in later years.

6.2 POST-COLONIAL DEVELOPMENT EFFORTS, 1960 - 2004

When an indigenous political class took over leadership of the country following independence in October 1960, the new men in power accepted the type of **mixed economy** that had emerged, one in which the private sector played the leading role. They designed and implemented a generous assistance scheme for private indigenous business in what was later described as 'nurture capitalism' (Schatz, 1977). The new government also accepted the practice of 'planning' the economy.

Overtime, government thinking changed in favour of public-sector leadership and control of the economy as successive opinion moulders, particularly during the period of military administration, became impatient with the slow pace of development that resulted from reliance on private sector initiatives. This new philosophy prevailed and influenced public polices up to 1980 when the second civilian administration came to power.

Post-colonial Nigerian governments also accepted the emphasis on industrialization as the main strategy for development. In the early days, especially, during the second and third plan periods (1970 - '74,and 1975 - '80), the pursuit of industrialization was almost single-minded, and it was during this period that most of the industrial establishments of any significance in the country were either established or conceived. For instance, the government made huge investments in steel companies in an attempt to create a domestic steel sector regarded then as a critical factor in the industrialization process. In addition, enormous amounts of public resources were committed to the establishment of sugar companies, textiles companies, fruits and food processing companies, breweries, petroleum refining companies, motor vehicle and truck assembly companies, paper manufacturing companies, fertilizer manufacturing companies, among many others. This large investment programme was made possible by rising government revenue due mainly to increased earnings from crude oil exports beginning about 1973.

While Nigerians were waiting for the dividends of industrialization, an unexpected problem emerged: food crisis. This was the result of the virtual neglect of agriculture as successive governments struggled to create modern industries. The immediate response was to import food items, and by the second half of the 1970's the country had become an importer of even agricultural items it was exporting in the not very distant past. It was also during that period, precisely in 1978, that Nigeria took its first major external loan.

By 1980, about two decades after the process of industrialization started, the expected benefits of industrialization still had not arrived. Instead, reports showed monumental waste of resources in the implementation of the country's industrialization programme. Many of the projects could not be completed years after the deadline, several of the major enterprises that were said to have been completed and ready for production could not roll out the expected products, and many of those that were able to go into production turned out to be high-cost producers and therefore uncompetitive even in the domestic market. This experience, together with the collapse of agriculture and rising import bills, raised questions about the country's development strategy. Some critics blamed the failure on government involvement in the economy and suggested a privatization policy.

Beginning about 1981, oil prices crashed in the international market. Government revenue from crude oil sales dropped drastically. With rising import bills on account of food imports and an industrialization programme that had become import-dependent, a large deficit emerged in the country's current account. External debt rose phenomenally (from $559.2m in 1975 to $2824.6m in 1979 to $18539.0m in 1983 to $24043.0m in 1986). A major economic crisis had arrived. The government responded with a set of desperate measures aimed principally at reducing importation and curtailing demand for foreign exchange — the **austerity measures** of 1982. Government also attempted to stimulate agricultural activities through what it called a **green revolution programme.**

The 1982 austerity measures tended to worsen an already bad situation: external debt did not fall, instead, it rose substantially by about 43.0% between 1982 - 1983 (from $12,954.0m in 1982 to $18,539.0m in 1983), the scarcity of foreign goods the economy and society had become dependent on crippled many activities, economic and social conditions deteriorated further until the government was overthrown in December 1983. The new government began by frontally attacking some of the specific problems of the society, for instance poor attitude to work and general indiscipline, as a step towards arresting the economic decline. But before its economic programme became clear, the government was itself overthrown in 1985.

In 1986 a bold and comprehensive programme for dealing with the problems of the economy was introduced. It was described as a **Structural Adjustment Programme (SAP),** and the main components included:

- a floating exchange rate policy;
- trade and exchange liberalization policy;
- appropriate pricing policies for public enterprises; and
- commercialization and privatization policies.

The main objective was to achieve an overall expansion in domestic production in order to reduce the country's dependence on imports and the resultant high demand for foreign exchange. But unfortunately the programme — SAP — also failed to produce the expected results, and the economic decline continued.

After the failure of SAP, successive administrations struggled to manage the economy as best they could. Several short-term measures were introduced to tackle specific problems, for instance measures that increased the inflow of foreign exchange and helped to stabilize the external value of the domestic currency for a period of about three years between 1996 and 1998. In 1997 the government produced what was intended as a long-term programme for the development of the economy and society, the **Vision 2010 Programme**, but the programme was abandoned after a year or so. The economy wobbled on, and social welfare continued to decline until we got to where we are today: a situation in which the level of unemployment, as estimated by the government, is about 10.8 per cent of a labour force of about 61.0 million; inflation is about 18.0 percent; personal and regional inequalities have become scandalous; the level of poverty is embarrassingly high and rising; and the society has become more dependent on outsiders than ever before.

The failure of Nigeria's development effort has surprised many observers. This is because the country has the resources that should have produced a much better performance. The Government itself recently lamented the state of affairs when it said:

> Relative to its own history and in comparison with other countries in Africa and Asia, especially Indonesia which is comparable to Nigeria in most

> respects, its level of economic development over the decades becomes more disappointing. With a GDP of about $45 billion in 2001, and a per capita income of about $300, Nigeria has become one of the poorest countries in the world. As at 2000, Nigeria had earned approximately $300 billion from oil exports since the mid 1970s, but its per capita income was 20% less than the 1975 level, and the country has become so heavily indebted (external and domestic debt amounts to about 70 per cent of GDP) that it has serious difficulty servicing existing debt. [National Planning Commission (2004), NEEDS, p. 19].

The story is the same for many, perhaps most, other African countries, and it is the reason Africa has consistently dominated the lowest end of UN's human development index. It is this dismal failure of African countries that I have struggled to understand and to be able to explain since I took up appointment as a University teacher of economics.

7.0 WHY HAVE AFRICAN COUNTRIES DONE SO BADLY IN THE STRUGGLE FOR DEVELOPMENT?

This question has engaged the attention of economists in particular and social scientists in general for a long time, and many journal articles and books have been written on the problem. In the early days the works that were done and the views that were expressed reflected ideological positions.

Neo-classical or pro-free market scholars focused on the place of the market mechanism in the functioning of the economies concerned, and traced or struggled to trace the problems to what they saw as excessive government interference with otherwise efficient market processes. They argued, for instance, that African economies were in trouble because the market mechanism was not allowed to do its work.

Another variant of the viewpoint focused on the industrialization that African countries embarked upon, through which they expected to achieve development. The analysts tried to distinguish between an import-substituting industrialization (ISI) strategy (which is inward-oriented) and a so-called export-led or export-oriented industrialization strategy (which is outward-oriented), and argued that African countries and the rest of the countries that failed made the mistake of maintaining the inward-oriented ISI strategy for too long. They attributed the success of the four East Asian countries to the outward-oriented export-led strategy which those countries were said to have adopted quite early in their industrialization processes. The ISI strategy, according to this view, had a limited horizon and was generally short-sighted. The protection that the enterprises enjoyed in the domestic markets permitted and promoted inefficient operations, and inefficiencies in the sector made the firms high-cost and therefore uncompetitive producers. Limited horizon and high-cost production inhibited export of products, hindered the growth and expansion of the enterprises, and in the end, defeated the purpose of industrialization. Thus, for this viewpoint, the ISI strategy, with all its market-distorting features, was the reason for the failure of African industrialization and development efforts. (Balassa, 1981).

Radical scholars had a different viewpoint. They focused on the nature of the relationship between the more-developed countries (MDCs) and the less-developed countries (LDCs), which they described as a 'centre-periphery relationship' , and traced the failure of LDCs' industrialization and indeed the entire development effort to that relationship. The argument is that the center-periphery relationship permits the center (the MDCs) to manipulate and exploit the periphery (the LDCs), including frustrating their industrialization and overall development efforts. [Cardoso, 1982; Sweezy, 1982; Bernstein, 1982; Frank, 1978].

I was excited by this debate when I first encountered it, and so I decided to investigate some of the arguments as soon as I had an opportunity to do so. That opportunity came when the University of Port Harcourt awarded me a grant for higher studies in economics, and I took it. My experience from the studies affected my attitude to the world, especially the ideas of men, as I discovered how misleading, sometimes deliberately, some ideas can be, and how far some people are prepared to go in trivializing the hardship and misery of others. I will comment on the arguments concerning the market mechanism later in the presentation. But first, let me summarize the experiences in my investigations into the failure of African industrialization.

I focused on Nigeria's approach to industrialization, and tried to see the extent to which the objectives were being met - the objectives of reducing import dependence, saving foreign exchange, creating jobs, and developing technological capability, among others. My finding was that most of the enterprises were not making the expected contributions. Further investigations revealed that most of the practices of the firms, which were responsible for the limited positive effects of the firms on the domestic economy, were dictated by the clauses in the technology agreements they had entered into with their parent companies or technical partners abroad. Examples were clauses restricting input procurement, recruitment of technical personnel, and exports, all of which were to remain in force for specified time periods, in some cases up to twenty years. I discovered also that industrial firms in the so-called East Asian Tigers did not face the kinds of restrictive clauses that firms in Nigeria and most other African countries faced.

In addition, I discovered how research methods can so badly affect the conclusions that are reached. As part of my study I examined, in the context of a single Nigerian industry, some contending hypotheses relating to the appropriateness of the technologies of foreign (transnational) firms and differences in the behaviour of foreign and indigenous firms with respect to choice of techniques, choice of inputs and input sources, and transfer and dissemination of technology. In the investigations I decided to use methods that were different from what appeared to be conventional at the time. For instance, instead of the popular production function approach involving comparisons, using regression analysis, of the combinations of major inputs – capital and labour – in production processes, I decided to use plant level data on what the firms were actually doing in the various processes and stages of production. Also, instead of

examining 'capital intensity' of techniques as most analysts did, I decided to examine 'machine intensity' of operations which I considered more appropriate given the problems involved in empirically defining or identifying 'capital' and the fact that it is the use of machines, not capital as such, that creates problems for the economy, including the displacement of labour.

My conclusions were different from the near universal conclusions which tended to relate the use of inappropriate techniques and technologies to the national origin of firms. I discovered that rather than national origin the major factors in the choice of techniques, inputs, and processing procedures were product types and specifications all of which have to do with local tastes, preferences, and consumption habits.

With facts like these, I realized how superficial and misleading it was for scholars to attribute the failure of African industrialization simply to the ISI strategy, a strategy that was earlier said to be the 'natural first step'. It also became clear to me, as Robock (1970) argued, that the dichotomy between ISI and export-oriented industrialization is false. It is false because, without the restrictive clauses encountered by industrial firms in Africa, which most researchers inexplicably failed to notice, nothing stops a carefully conceived and systematically implemented ISI project from eventually exporting its products and generating the other known positive effects of industrial enterprises. We can blame those Nigerians who signed the technology agreements referred to for accepting those unfair clauses, but their behaviour was not part of the ISI strategy.

Let me now introduce some of the issues I have been looking at in my search for the factors in the failure of development efforts in Africa. I have categorized them as external and internal factors to simplify the presentation, and I will start with the set of factors that will not upset many of us very much - external factors - because in this case, we will be pointing accusing fingers at some other people.

EXTERNAL FACTORS

Among the external factors I have been looking at, the economics philosophy we have accepted, the pieces of advice we receive from so-called international experts, and the influences of some international institutions have received the most attention. I will comment briefly on each of these.

◆ **Economic Philosophy:** Let me first of all assure my colleagues in the economics profession that I am not about to destroy our house. Instead, I wish to draw attention to some of the things that we in Africa should do to our house, the edifice that our European and American mentors built and delivered to us, to make it serve us better than before. I will introduce my view with a warning from one of the early winners of the Nobel Prize in economics:

> Having participated in economic research for several decades I cannot help voicing a warning. There are huge differences in the usefulness to humankind of the contributions made by individual economists. The economists of the rich countries can perhaps permit themselves the luxury sometimes to engage in

> research of little use: just for 'fun', intellectual or other. _ _ _. But let us at least choose our subjects with the intention to be of some use to the masses forced to live under poverty line. _ _ _. Let us not discuss models that rest on assumptions far from reality. - - -. The problems we are facing need a farsighted approach, not a narrow minded one.
>
> [Tinbergen, (1981, P.1)].

The point I wish to make is that the economic philosophy we have accepted, by which we have tried to organize our lives, is a factor, a major factor, in the failure of our development efforts. I am referring here to the brand of neo-classical economics- today's orthodoxy - that is being imposed on us. The economics that advises us to rely on markets that do not exist; the economics that advised us to embark on a structural adjustment programme when we needed to build rather than adjust the structure of our economy because there was nothing to adjust; the economics that is advising us to deregulate virtually every aspect of our economy and minimize the role of the government when, because of our backwardness, we need a careful use of government regulations to build the kind of economy and society we need as all the more-developed countries today did at their time; the economics that is 'essentially concerned with the problems of equilibrium and growth at full employment' when the experience, in our case, is that of permanent disequilibrium.

My view is that we cannot really develop with the current brand of neo-classical economic philosophy because it does not explain our problems. We live in conditions of permanent disequilibrium not equilibrium, and we need economic and social transformation not only growth. Thus, we need a new type of economics, the kind of economics that will explain our problems and make clear the way to tackle them. This is the adjustment that Ekpo (2004) called for. The need is urgent because our economic problems must be thoroughly understood if we really wish to be able to overcome them.

◆ External Advisers

The point here is that very often we receive inappropriate pieces of advice from external advisers. If we recall such major policies in this country as the taking of major external loans, the adoption of the structural adjustment programme, the privatization of public enterprises, removal of subsidy on petroleum products, and investment in education, especially tertiary education, we will see the role of external advisers. Sometimes the advisers mean well, but because they are ill-informed about the local economy and society, they create more problems for the system than they solve with their pieces of advice. Sometimes they actually try to impose their views and preferred ways of doing things which may not be appropriate in the circumstances of the country being advised.

Among the external advisers that have caused problems for the Nigerian economy on a number of occasions are the two most powerful international economic institutions, The World Bank and the International Monetary Fund (IMF), but especially the IMF. Most of the time the IMF in particular has tended to impose its preferred procedures and its views on the countries it advises, which is contrary to the provisions of the Articles of Association. And the institution is not always right because sometimes it uses dubious models and data as Budhoo (1990) exposed in an open letter of resignation.

It is unfortunate that this should be the experience of a country that has had universities on its soil for over fifty years now, a country that cannot be said to be in short supply of the kind of expertise for which it often turns to the IMF and the World Bank. I believe the problem has to do with the way in which we choose to do things which I will indicate as we turn to what I consider the internal factors in our economic problems.

INTERNAL FACTORS

I know that I am going to upset some people because I will tell some unpleasant truths. But these truths must be told if we really wish to see material progress in this country. And, I will add that I earn my living by telling unpleasant truths. I plead therefore that we try and be open-minded as we examine some of the factors that have kept us dancing round in a vicious circle of backwardness.

I have looked at our role under two main headings, namely our role as government of our own country, and our role as citizens, i.e., teachers (including researchers), students, business people, and consumers of goods and services.

- **The Government:** We all know the role of the government in the society. It is to govern. And to clarify matters, what that governing means is usually outlined in the constitution and supplementary rules and regulations. But to be effective in the performance of its functions the government must be manned by people who are knowledgeable and skilled, honest, and committed. These qualities are usually summed up in one word: **capacity** – the capacity to do the things that government must do. After four years of close association with government in this country, I can say that we have a serious weakness in this area, and that this weakness is a major factor in the failure of our development efforts. We have inadequate capacity for the performance of government functions, and this cuts across all the tiers of government. It is inadequate capacity that makes our governments and government agencies unable to deliver the services they are expected to deliver, it is inadequate capacity that makes our government officials to accept inappropriate pieces of advice from ill-informed external experts, and it is inadequate capacity that makes potentially sound policies not to work in this country. Relevant capacity is crucial in all we do.

- **The Citizens:** It is a common practice in this country to blame the government for all our problems even where we as citizens actually work to frustrate government attempts to serve the society well. Let us recall some experiences: Road users who will not obey traffic rules and as a result cause accidents which they blame on government; electricity consumers who will not pay their bills but blame NEPA for not functioning effectively; households who will dump refuse in the streets at night but blame the government the next morning for not keeping the city clean; market women and men who will display their goods in unauthorized places in the streets for sale but blame the police for traffic congestion; teachers who will not teach their students well but blame the system for high failure rates; students who will deliberately destroy classroom desks and library books but turn round to blame the school authorities for not providing adequate facilities; business people who will strive to free themselves from the discipline of government regulations, including the paying of taxes, but blame the government for not protecting them; and citizens who will not buy locally-made goods, and must spend their holidays abroad but blame the government for the falling value of the Naira. I think we are all guilty. And unless we resolve to change our ways, I do not see how we can have a better society.

8.0 WHERE DO WE GO FROM HERE?

The struggle to develop the Nigerian economy and society must continue. But, in this new phase of the struggle, we will have to do many things differently. Two agencies will be critical to success; they are **the government** and the **educational system.**

For the Government, two things need to be stressed. First, I think it will be necessary to look again at the role government is being advised to play in the economy in the circumstance in which we are, the state of backwardness and external dependence that can only get worse as other nations perfect strategies for turning us into the market they need for their products. Certainly we need the market mechanism in promoting activities in some aspects of the economy, but we also need the government to regulate activities in ways we have not done before and thus guide the markets to serve us well. We are facing a crisis, and reliance on the market mechanism the way we are being advised to do will not get us out of it; it did not do it for Europe and America during the Great Depression (1929 1939), and I do not see how it can do it for us today.

Let me add one very important point at this stage. Reliance on the market mechanism will not help us to develop the technological capabilities we need for economic and social transformation. Success in technological transactions in today's world requires tough bargaining ability, and in the circumstances of our weak local firms, it is only with the support of the power of government that they can negotiate mutually beneficial

contracts. The industrial enterprises that were established in the early stages of our development efforts failed not because they were ISI projects, but because they were exploited in the technology agreements they entered into. We have to continue with the struggle to industrialize the economy, but we should learn from the experiences of the more successful countries in this matter. We must begin to demonstrate an understanding of the world in which we live.

The other thing we need to look at in the performance of the functions of government in the new phase of our struggle is the capacity problem. This has to be addressed. What is required is **appropriate training,** which can be done locally.

For the educational system, major changes will be required to make our schools, colleges, and universities produce men and women who will make the changes we wish to see in the economy and society. The contents of the various educational programmes in the country need to be re-examined and reviewed to take into account the needs of the society in a fast changing world, and the people whose duty it is to deliver the programmes need to be better equipped and motivated to produce better results than we have had in the past.

Because of the importance of the quality of work at the foundation stage, I see an urgent need for a re-examination of the production of teachers for primary schools. I see the need for teachers who can teach, not teachers who merely have higher certificates in education or aspects of it.

Our universities will be particularly important in the new phase of our development efforts. We will need the universities to be able to produce knowledge and skills for tackling the problems that are bound to arise as we strive to do things differently, and to produce men and women with the capacity to man the system and provide needed leadership. I see the need, therefore, for our universities to begin to develop the capabilities that will enhance their relevance in the new society. What is required are attitudinal changes; changes on the part of the university men and women who do the teaching and research, changes on the part of the students who must work harder than before to acquire the knowledge and skills being imparted, and changes on the part of those who fund and manage the universities who must provide adequate facilities and motivation.

University teachers in particular will have to strive to make their subjects truly relevant to the needs of the student and the society, and their methods appropriate for the objective. The need for adequate funding remains urgent. But beyond this, we must insist on being able to use education to solve the problems of the society.

These are the challenges, and they must be the focus of our future research agenda.

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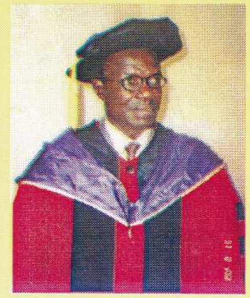

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