UNDERSTANDING AND RESOLVING THE CURRENT ECONOMIC CRISIS IN NIGERIA*

By

*Yusufu Bala USMAN***

INTRODUCTION

Among the most important aspects of the current economic crisis ravaging Africa are the specific ways the peoples and governments of Africa understand and comprehend its nature, scale, causes and directions in each particular country and across the whole continent. A crisis of this magnitude, whether in nature or in society, cannot even be measured, let alone resolved, without a realistic grasp of what actually constitutes its essential characteristics.

The extent to which the governments ruling Africa today possess this correct and realistic grasp of the nature of this crisis is what is partially determining the extent to which these governments are succeeding, or failing, in mobilising and leading the people of the various countries towards its resolution. For, it is on the basis of certain conceptions of the nature, causes and directions of the crisis that they formulate the actual economic, social and political strategies, programmes and policies which they are applying in an attempt to overcome it.

These conceptions, arising from specific positions, interests, relationships and historical formations, besides providing the basis for formulating these programmes also serve to rationalise and legitimise them as means, however harsh, of attaining long-term and worthwhile popular and national objectives. They, therefore, constitute substantial political and psychological factors which the people of each country have to contend with.

A conference *(1)* like this one can easily ignore these conceptions of the nature of the current crisis held by African governments, and concern itself with more fashionable issues and cosmopolitan debates which may appear to have more meaning and significance. Such an attitude would be mistaken. For the meaning and significance of the deliberations of this Conference for the people of Africa who are actually suffering and dying in this crisis, will be determined by the extent to which it assists them in the essential exercise of properly mapping out some of the features and factors of the concrete terrain of their struggles for survival, progress and national liberation.

This paper is an attempt to contribute to this exercise by examining firstly, the conception of what constitutes the current economic crisis in Nigeria held by the present Federal Military Government of Nigeria,

---

* *Paper presented to the CSER/CODESRIA Conference on the Economic Crisis in Africa, Ahmadu Bello University, Zaria, Nigeria. – March 11th–16th, 1985.*

** *Department of History, Ahmadu Bello University, Zaria – Nigeria.*

and comparing it to the conception held by the civilian regime it overthrew in the military coup of 31st December, 1983. And then, secondly, an attempt is made to see whether this particular conception provides this Federal Military Government with a correct and realistic basis for the diagnosis of the crisis, and for working out and implementing strategies capable of overcoming it. Finally, the paper proposes a more realistic basis for understanding the essential characteristics of the crisis in Nigeria and for working out and implementing correct strategies, programmes and policies for resolving it.

MANIFESTATIONS AND SYMPTOMS

In spite of the variety of the terms used to describe the current crisis like «recession», «decline», «austerity», «sufferings», or «economic hardships», there seems to have been about ten major symptoms of this crisis. The symptoms have presently manifested themselves since it began in its present definite form in the last four years; that is from its beginning in 1981. These are in summary, as follows: *(2)*

- (i) the increasing rate of decline in the volume of production in almost all sectors of the economy, extending to the closure of factories and the halting of work on uncompleted projects;
- (ii) the almost total freeze on new employment and large-scale retrenchment in all sectors of the economy leading to massive unemployment in both rural and urban areas and for all levels of manpower;
- (iii) the chronic and serious shortages of foodstuff and all types of goods;
- (iv) the high rate of price inflation;
- (v) the rising burden of indebtedness on middle-level and petty traders, artisans, craftsmen and peasant farmers;
- (vi) the reduction in the real value of wages, salaries and allowances and the uncertain and irregular payments of those;
- (vii) the drastic reduction and higher cost of the provision of essential public services like water, electricity, postal services education and health, and the regular breakdown in these;
- (viii) the rising wave of crimes and violence against persons and property;
- (ix) the generally poor harvests and the decline in the quantity of livestock;
- (x) the deteriorating ecological conditions, particularly aridity, desertification, erosion and flooding, promoted by particular forms of human activity.

It is very important to make a clear distinction between these primary symptoms of the current crisis, as they manifest themselves in the lives and livelihood of the people of Nigeria and its other features which may constitute secondary or tertiary symptoms; or immediate and remote factors and causes; or even merely parallel developments. This distinction is significant because it is only by identifying all these aspects, clearly and distinctly, that we can begin to have a profile of this specific process of the break-down of an established order, which is what we are calling -- the crisis.

STRUCTURAL CONDITIONS

One of the features of the current economic crisis, which affects research on it, a feature which is not often noticed, is the way the number and lengths of speeches and statements by those running the government have greatly increased. The federal budget speeches before the onset of the crisis were often less than half in length to what they came to be afterwards. In addition to these, other lengthy official speeches and statements have come to be made much more often, dealing with the economy.

In the case of the present Federal Military Government, it issued early in 1984 a document defining its objectives, policies and programme known as *The Blue Book (3)*, which largely deals with matters relating to the economic and social conditions of the country and their policies. This Blue Book, together with the speeches and interviews of the Head of State, Major-General BUHARI, the Chief of Staff Supreme Headquarters, Major--General IDIAGBON, of the Minister of Finance and a number of other ministers, provides a substantial body of information from which the Federal Military Government's conception of the nature of the current crisis can be deduced. *(4)*

An examination of most of these speeches, interviews and statements published up to now, would indicate that the Blue Book articulates the objectives, policies and programmes of this government most comprehensively, even though over most of the major sectors, specifically agriculture, industry, mining, construction, telecommunications, power, education and health, the articulation of these policies is prefaced by an explicit commitment to review these same policies.

This review seems to have started formally in September 1984, when the government appointed a number of study-groups to review these objectives, policies and programmes *(5)*. Although most of these study-groups have submitted their reports, the extent to which the exercise has led to a revision of the Blue Book has not been made known, except in a few areas, through the announcement of the 1985 budget policy measures.

But from the nature of the powerful organised private business interests, that the government deliberately made predominant in these study groups, the direction of this revision, where it is being made, can be clearly guessed at since these same interests could be seen playing a determining role in the formulation and implementation of its objectives, policies and programmes from its very inception.

In fact, to remove any doubt as to the powerful role of organised and large-scale private business corporations in determining the outcome of this review of the governments objectives, policies and programmes, the Chief of Staff Supreme Headquarters, Major-General IDIAGBON told a luncheon meeting with the representatives of the Nigerian Association of Chambers of Commerce, the Manufacturers Association of Nigeria, and the

Nigerian Employers Consultative Association, the organs of multinational subsidiaries and their Nigerian business partners and agents, on Tuesday 13th November, 1984, that

> «... the government recently empanelled seven study groups whose membership was drawn predominantly from the private sector, to examine the multifarious problems besetting the nation and evolve reasoned recommendation for their solutions» *(6)*.

It is therefore very unlikely that the reports of these study groups will bring about a change in the conception of the nature of the current economic crisis to be found already in the Blue Book, and in the speeches and interviews of the Head of State and other top leaders and functionaries of the regime.

To facilitate our consideration of the scope and major elements of the government's conception of the crisis, the Introduction and Chapter I, of the Blue Book are reproduced at the end of this paper, as its Appendix A.

In the Introduction to the Blue Book, the government accused the civilian regime it overthrew with failure in four main areas, namely; (a) mismanagement of the economy ; (b) lack of public accountability; (c) intolerable suffering and general deterioration in the standard of living of the common man; and (d) insensitivity of the political leadership.

The detailed list of the failures constitute the government's diagnosis of the state of the nation as being a process in «a drift towards economic collapse and political chaos»; which made it necessary for them to take-over. These constitute the manifestations and symptoms of the crisis the nation was plunged into as seen by the government, and can be listed as follows:

- i) lack of financial discipline;
- ii) huge external debts ;
- iii) over-dependence on internal and external borrowing;
- iv) heavy budget deficits ;
- v) a weak balance of payments position;
- vi) kick-backs and other forms of corruption;
- vii) inflation of contract sums;
- viii) over-invoicing of imports;
- ix) smuggling;
- x) illegal dealings in foreign exchange;
- xi) forgery, fraud, embezzlement, misuse and abuse of office;
- xii) scarcity of food;
- xiii) galloping inflation;
- xiv) closure of factories;
- xv) unemployment;
- xvi) suffering of the masses while the leadership were wallowing in affluence;
- xvii) perversion of the electoral process threatening the stability and unity of the nation;
- xviii) damage to our reputation as a nation.

In paragraphs 2, 3, 11, 12, 15, 16 and 17 of Chapter I of the Blue Book, the government sets out what it considers to have been the specific processes in the Nigerian economy which created the structures and other conditions which only required the oil-glut and economic mismanagement to plunge the country into the crisis. These structural conditions for the current economic crisis are conceived by the Federal Military Government at several levels.

According to the government's conception:

> «Two main features of the Nigerian economy have been observed in recent years, namely the country's over-dependence on oil as the main source of foreign exchange and government revenue, and the emergence of government as the prime mover of the economy. While the expansion of these two factors has brought about prosperity and significant improvement in economic well-being, their decline has led to economic recession and fall in the standards of living of the people».

And;

> «The oil boom of the 1970s led to fundamental structural changes including a shift in the pattern of investment to the construction and service sectors, an increase in the importation of goods and luxuries and the neglect of the agricultural sector resulting in shortage of food supplies, high prices and a loss of the foreign exchange earnings which would otherwise have accrued from the agricultural sector. The oil boom also generated large population drifts from rural to urban centres thus creating a large class of people who consume but do not produce any material goods. Governments of the country by the large revenues, assumed a more pervasive role in the economy and virtually stifled the efforts of the private sector by their commitment to provide almost everything free to the people».

At the level of external trade, the government conceives the creation of these structural conditions for the crisis as follows:

> «Of more concern is the pattern of imports since 1977 which has progressively shifted in favour of consumer goods, particularly food items as is illustrated by the table below:

TABLE A

Imports	Percentage Share of Imports	
	1977	1982
Raw Materials	23%	25%
Capital Goods	48. 2%	32. 8%
Consumer Goods	28. 5%	41. 6%

> «The increase in the importation of food items was particularly large, averaging about 28% during the period compared with about 11% aggregate imports. The importation of rice reached an all time high in 1981 when payment for the item amounted to ₦301.0 million, an increase of ₦211.7 or 236.8% over the level in 1980. The continuing importation of food items such as rice helped to create uncertainty in the minds of local producers and constituted a serious hindrance to engaging in local food production, given the Nigerian propensity to import and declining revenue»

Other major structural causes for the current economic crisis, according to the government, are to be found in the low productivity of agriculture and industry which they ascribe to the following factors:

> «Low productivity was manifested in the main sectors – agriculture, industry and services. Due largely to a combination of environmental, technological, inadequate planning and labour constraints, the agricultural sector was unable to meet the basic food requirements of the population and substantial amount of food have to be imported».

And:

> «The over-dependence of the manufacturing industries on imported inputs – machinery, spare parts and raw materials – whose regular inflow has been disrupted due to the then foreign exchange crisis and structural problems in other sectors of the economy – especially agriculture and service industries – have resulted in the lack of desirable linkages with the manufacturing sector. The growth performance of the sector was subject to wide fluctuations... service industries such as electricity, transportation and water supply have failed to meet the needs of the economy either because of inadequate facilities or instability in the services rendered».

MIS-MANAGEMENT AND INDISCIPLINE

In addition to these structural causes which, according to the government, prepared the grounds for the crisis, the government sees as additional factors favouring the onset of the crisis particular policy measures and policy failures of the civilian regime, which they ascribe to what they term «mis-management and indiscipline». Among these policy measures and policy failures are that:

- (i) the government had committed themselves to the free provision of education and medical services and had started projects they could not complete with the resources they had;
- (ii) the inflation of contracts;
- (iii) the proliferation of political appointees;
- (iv) the over-reliance on oil as a source of government revenue and the refusal to exploit other sources and even the competition to abolish some fruitful revenue sources;

(v) the incurring of huge budgetary deficits when faced with declining revenue;
(vi) the resort to heavy internal and external borrowing;
(vii) smuggling and other forms of illegal trafficking of currency, food and petroleum across the country's borders.

THE LAST STRAW: OIL-GLUT

In the conception of the nature and causes of the current economic crisis held by the present regime, these structural conditions bad policy measures and failures, required a precipitating factor to bring about the crisis. This last straw was of course, the oil-glut: According to paragraph 4 of Chapter I of the Blue Book this is what the government believes took place to plunge the nation head-long into the crisis:

> «Since 1981 when the oil glut became a world-wide phenomenon, oil revenue which had constituted about 73% of total revenue collected by the Federal Government at the peak of the oil boom began to decline. For example, from a peak of ₦13,632 million in 1980, the value of exports of oil declined to ₦10,535.5 million in 1981 and ₦8,583.8 million in 1982. This resulted in the slow down of economic activities because the various governments that had controlled the economy were facing declining revenue. The effects of the oil glut were worsened by the economic mismanagement by governments of the Federation, giving rise to increase in budgetary deficits and acute shortages of foreign exchange reserves. The Federal Government, in its efforts to minimise the impact resorted to internal and external borrowing, trade and exchange control measures. While the measures stemmed the rise in imports, they resulted in shortages of industrial materials. Further consequences of this development were low productivity, unemployment, retrenchment of labour, intensification of inflationary pressure, smuggling, etc».

The significant role of «the oil-glut» and the policies that were applied fully or partially to deal with the decline in revenue and foreign exchange were brought out even more sharply in the World Press Conference of the Head of State on Thursday, 5th January, 1984, where he asserted that:

> «The otherwise buoyant economy of the first two fiscal years 1979/80 and 1980 was allowed to run down through mismanagement. Not only was there an inadequate response to the global recession caused by the world-wide oil glut and the oil production crisis which beset OPEC member countries, but measures designed to curb Nigeria's vulnerability to the vagaries of the oil-market were applied in a half-hearted manner. The monetary and fiscal measures introduced under the Economic Stabilisation Act 1982 to boost local production of goods, improve foreign exchange reserves and make the economy more self-sufficient and self-reliant were not implemented in a manner in which they could have the desired effect». *(7)*

What the Head of State is saying is that even after this last straw, something could have been saved, if the policy measures introduced by the SHAGARI regime on 19th April, 1982, had been strictly applied by that regime itself.

In order to understand the nature and rationale of the economic recovery programme of the Federal Military Government it is necessary to fully appreciate that in this government's conception of the nature of the crisis, even the structural conditions for the crisis which they trace back to the onset of the oil boom at the beginning of the 1970s, could have been rectified, if the policy measures worked out in 1977 by the OBASANJO regime had been applied. This position of the government is clearly stated in paragraphs 20–21 of Chapter I of the Blue Book, where it is asserted that:

> «Government policy since 1977 has been to achieve and maintain a healthy balance of payments position, reduce the rate of price inflation, accelerate the rate of domestic production, mobilise domestic savings, facilitate the expansion of domestic investment, raise the level of employment, and maintain social stability. To achieve these objectives a combination of monetary and fiscal policies and some direct controls were employed. The failure to achieve all of the objectives of these policies cannot be attributed to inappropriate policy measures. *The measures were generally in the right direction, but implementation was faulty due to corruption. There was a lack of sufficient will to implement the measures. Approach to policy was also faulty, being in the nature of stop-go, while the increasing role of government as the prime mover of the economy constrained the private sector and blunted the edge of policy».* (My emphases).

This position of the present government must be kept in mind when we come to set out its economic recovery programme and contrast it, and its conceptual foundations, with that of the SHAGARI regime it overthrew.

FEDERAL MILITARY GOVERNMENT'S RECOVERY PROGRAMME

The economic recovery programme of the Federal Military Goverment is not as fully articulated in the Blue Book as is the conception of what factors caused the crisis. The basic elements of this programme can however be identified from Chapter II of the Blue Book, the statements of the top leaders and functionaries of the regime, particularly the 1984 and 1985 budget speeches of the Head of State *(8)*, and from the policies being actually implemented by the local, state and federal tiers of government in the country right now. The following seem to be the major elements of this programme:

(i) a high rate of the repayment of external and internal «debt» of the federal and state governments;

(ii) increasing the rate and volume of internal revenue raised through the payment of taxes, fees and levies;

(iii) overall reduction in government expenditure to avoid budget deficit, particularly the reduction of expenditure on the social services like education and health;

(iv) freeze on wages and salary levels and a reduction in the total amount paid as wages and salaries in the whole economy through the elimination of allowances and large-scale retrenchment and freeze on new employment;

(v) closer regulation and taxing of the economic activities for middle and petty traders, artisans and craftsmen;

(vi) encouragement, support and promotion of the operations of the subsidiaries of multinational corporations in all sectors of the economy;

(vii) promotion of large-scale private investment in agriculture through favourable credit incentives and land policies;

(viii) commercialisation and/or privatisation of government parastatals;

(ix) priority to the completion of projects in the areas of some basic industrial raw materials like sugar, paper and petrochemicals and a campaign to generally promote the use of local raw materials;

(x) priority investment in power and telecommunication through the purchase of spare parts and expansion of facilities.

(xi) deeper government involvement at the local, state and federal levels in commerce and distribution of many goods;

(xii) greater coordination of budgetting particularly to control expenditure and foreign exchange disbursement closely at the federal level.

These twelve areas seem to cover almost all the major elements of the economic recovery programmes of the Federal Military Government as articulated in the statements of its top leaders and functionaries and demonstrated in the policies being implemented since it took power on 31st December, 1983.

Each major element of this recovery programme seems to be an attempt at tackling the structural causes and areas of mismanagement and indiscipline conceived by the government as constituting and causing the crisis.

The over-dependence on oil as a source of revenue is being tackled by imposing taxes, levies and fees on almost all areas of human activity to raise a higher proportion of internal revenue from outside the petroleum sector. The promotion of large-scale private investment into agriculture and other areas of production is intended to rectify the neglect of the agricultural sector, make the country self-sufficient on food and raw materials, and obtain foreign exchange through agricultural and other exports.

The so-called «pervasive role» of the government in the economy, which is said to have stifled and constrained private enterprise, is being reduced through the cut in the government expenditure in the social services, the privatisation of the parastatals and massive public sector retrenchments.

Financial, and other forms of discipline are imposed on the budget, the foreign exchange disbursement and all fiscal and economic transactions in order to save, conserve and strictly enforce policy measures, laxity about which is believed to have facilitated the crisis.

The rural-urban drift which produced expanding urban population of middle-level and petty traders, artisans, the marginally employed, the unemployed and the criminal gangs, is being tackled by physically driving these from the streets of the urban centres, through demolition, tax raids and exhortation to «go-back-to the land». The encouragement given to the subsidiaries of the multinational corporations like U.A.C., U.T.C. and S.C.O.A., to return to wholesale and retail trade, and the deeper government involvement with commercial distribution, is further ensuring that the petty trader and artisan is eliminated from the urban scene altogether, even if he survives the taxes, levies and demolition exercises, ostensibly in the name of environmental sanitation.

There can therefore be no doubt that the economic recovery programme of the Federal Military Government is derived from the government's conception of the nature of the current economic crisis and of the major factors that caused it. The degree to which this programme will succeed in bringing about the economic recovery depends therefore, on the extent to which the government's conception of the nature of the crisis and the factors that caused it, in themselves, represent a correct and realistic understanding of the crisis. This is what we have to examine now, having so far set out the Federal Military Government's economic recovery programme, and its basis, at some length.

THE ODAMA REPORT

In order to fully grasp the meaning and significance of the economic recovery programme of the present regime and its basis, it is necessary to compare it with the economic recovery programme of the SHAGARI regime which it over-threw.

By the end of 1982, it had become obvious that, after eight months of their implementation, the economic stabilisation measures instituted by the SHAGARI regime in April, 1982 were not tackling the crisis. The tightening and curbing of government expenditure and foreign exchange disbursement were leading to shortages of foodstuff and other essential commodities, unemployment, inflation and lowering productivity.

At the end of January, 1983, the National Economic Council established a committee of experts to review the economic problems facing the country and propose immediate and long-term solutions. This committee made up of special advisers, commissioners, permanent secretaries and other officials from the federal and state governments, and under the chairmanship of Dr. J.S. Odama, one of the two presidential economic advisers, submitted its report in February, 1983 *(9)*. On the basis of this report, the National Economic Council made a range of recommendations to President SHAGARI. The Federal Government issued a white paper giving its views on these recommendations in June, 1983. *(10)*

This white paper was on the recommendations made to it by the National Economic Council, which somewhat differed in their emphases from the proposals of the ODAMA Committee. For, while the National Economic Council went along with the broad framework of the ODAMA Report, its own recommendations to President SHAGARI did not cover several of the areas touched upon in the report and somewhat diluted the emphases this committee of experts had placed on what they call «fundamental structural adjustements».

The ODAMA Committee's conception of the nature and causes of the crisis is perhaps most succintly put in these words:

> «One of Nigeria's present economic problems can be regarded as the effect of the world economic recession on the Nigerian economy. This world recession gave rise to the oil glut which very adversely affected Nigeria's crude oil sales. The immediate problem is, therefore that of shortfall in Government revenue and depletion of foreign exchange reserves. Simply put, we have a liquidity crisis... The present problem of the oil glut is a long term problem. Nigeria cannot hope to be able to market her crude oil up to the 1978/81 level even when the world economy recovers. Temporary solutions to the present economic problems will, therefore not suffice. Besides the crude oil problem, the foregoing raises the question of the role of the Government in promoting economic development. Successive governments have given varying degrees of priority to agriculture and industry though the results have not been sufficiently encouraging... But there has not been a break-through either in agriculture or in manufacturing industry. The apparently sound Government policies have not yet made the desired impact. The realisation of such impact will be deployed for long until the economy undergoes certain structural transformation». *(11)*

And:

> «The Economic Stabilisation measures of 1982 and 1983 are primarily crisis management package. We recognise and accept the rationale and circumstances of the thrust of the measures... It is however important to keep in mind, and it's our belief, that a medium and long-term solution to our economic problem would require more than policies directed towards our immediate crisis. Our fluctuating economic fortunes in the last decade or so is a pointer to the vulnerability of our mono-economy. The economy is too fragile and hardly responsive to policy decisions within the system because of the dominance of the external sector. This character makes planning and plans ineffective because the dominant parameters in such plans are usually only sensitive to exogenous factors outside the control of policy makers. This painfully explains the limitations of our current policies directed towards the recession. We believe that what the economy needs is a fundamental structural adjustment directed primarily towards self-reliance». *(12)*

The basic strategy for this structural adjustment is :

> «... to restructure our economic activity through improved incentive systems, priorities in government budgetting, etc... We need to rationalise production to increase the use of local resources, increase capacity and manpower utilisation and reduce unproductive activities. Above all we must improve planning and control systems through effective budgetting, monitoring, evaluation and enforced implementation of priorities». *(13)*

This strategy includes greater fiscal discipline, disengagement of the government from commercial business, more internal revenue, promotion of local raw materials and food production, and many of the measures which now form part of the present regime's economic recovery programme.

The ODAMA Report differs in its conception of the causes of the crisis from the regime's conception in two significant areas. It does not share in the granting of an alibi to the private sector, as one sector which was not allowed to play its full role in the economy because it was «constrained» and «stifled» by the government. The report is quite scathing in its assessment of what the private sector has made of manufacturing, where it says the government had given it all sorts of encouragements and incentives to develop. It observes that:

> «Huge expenditure on infrastructural facilities was accompanied by incentives to the private sector to establish new industries or expand those already established. The incentives include approved user's scheme, granting of tax holidays and accelerated depreciation of capital. The Governments also invested considerably in the manufacturing sector both through joint-ventures with the private sector and through establishing state owned industries, especially for the production of intermediate goods. In spite of all these, the manufacturing sector has not made significant impact on the structure of the economy by way of contribution to Gross Domestic Product, provision of employment, foreign exchange conservation and promotion of wider and more effective linkage among the different sectors of the economy. High level of importation of capital goods and raw materials has not been accompanied with a high level of output or value added». *(14)*

Neither does the ODAMA Report share in the myth of the neglect of the agricultural sector. It categorically states that:

> «High priority has been given to the development of the agricultural sector. The programme of 'Operation Feed the Nation' has been succeeded by that of «Green Revolution». Through these programmes the farmers have been given concrete assistance to expand their production. The assistance given includes supply of fertilisers and other necessary inputs and substantial increases in guaranteed minimum prices for most agricultural products, particularly the export crops, food crops and food grains. Special

development schemes have also been started. Dams and irrigation schemes have been embarked upon to improve water supply and facilitate all-season farming. All the same the very visible rural-urban migration, the phenomenal increase in the importation of food and the high level of prices for most food products all show that the agricultural development programmes are yet to make their impact. *(15)*

THE SHAGARI – BUHARI CONTINUITY

Such forthright positions of the ODAMA Report on the role of the private sector in causing the economic crisis and on the level and results of the high amount of public investment into agriculture, never found expression as official Federal Government positions, as far as this writer is aware. They remained the views of the committee of experts chaired by one of the presidential economic advisers, Dr. J.S. ODAMA.

If there was even any possibility of these positions becoming accepted by the Federal Government, this seems to have disappeared when President SHAGARI started his second term of office, in October 1983, with a new team of economic advisers. This new team made up of Mr. Gamaliel ONOSODE and Mr. Phillip ASIODU, both seasoned veterans of the boardrooms of Nigerian subsidiaries of multinational corporations and federal parastatals, was warmly received in the chambers of commerce, particularly by the upper echelons of the organised private sector.

In the first speech of his second term, the national day broadcast on Saturday 1st October 1983, President SHAGARI set out more clearly than ever before the long – term economic recovery programme he had for his second term *(16)*. The major elements of this are almost exactly the same as those of the present regime, as is quite clear from even this part of the speech:

> «In the light of this unfavourable economic situation we intend to re-appraise and re-order our priorities. The Federal Government's annual expenditure will therefore be rationalised to reflect the ordering of investment priorities with emphasis on consolidating viable on-going projects in agriculture and industries and the provision of infrastructural facilities... We will avoid entering into new commitments with high foreign exchange content. We will only give serious consideration to projects based on locally available resources, such as the petrochemical and LNG projects which will lead to the revitalisation and diversication of the economy. To bridge our yawning resource gap efforts at internal resource generation will be intensified. In this regard, the exploitation and usage of our local resources have become so important in our quest for self-reliance that it will receive priority attention... Unprofitable government ventures will be scrapped».

The continuity is even more striking in the approach to the issue of mismanagement and indiscipline, which the present regime has so stridently accused the SHAGARI regime of. In a speech at the National

Institute of Policy and Strategic Studies, at Kuru, on Saturday 29th October 1983, this is what the former President said, almost as if he was deliberately preparing the Nigerian public for WAI and the draconian decrees against economic sabotage and other such crimes. He said:

> «First there is the urgent need for structural changes within the economy and any policies aimed at bringing about these changes should be on-going in nature. Secondly, we now need more than ever before a drastic change, in our social behaviours, in our attitude to work, to public probity and a concerted action to combat our social malaise... the garbage of corruption, fraud, and smuggling now so endemic, must be cleared. It is disturbing to see that fraud and corruption are found in the society generally. They are manifested in criminal deception, dishonesty, artifice, or tricks meant to benefit the perpetrators who include those who cheat in examination rooms, and falsify records. Others are those who adulterate commodities for sale and those who wilfully steal public property, just to mention a few. Besides corruption and fraud, Nigerians in collusion with foreigners also continue to smuggle prohibited goods into the country. They do this to avoid paying customs duty to the Government, thereby denying the nation of necessary revenue for development. Some also engaged in the despicable act of smuggling out scarce commodities and goods across our borders into neighbouring countries. This is not only a clear indication of contempt for government but also economic sabotage against the nation... Are our laws adequate in scope and content to combat these crimes? Are they being sufficiently implemented to deal with economic sabotage such as we experience through smuggling and currency fraud?» *(17)*

But even beyond the areas of policy prescriptions to deal with the crisis, we find that when we examine the SHAGARI's regime's conception of its nature, this conception is almost exactly the same as that of the present regime in almost all of the essential elements.

This is clear from the 1984 budget speech delivered by the former President on Thursday 29th December 1984, two days before he was overthrown. In this speech the former President defines the genesis of the crisis in terms very close to what we have found in the Blue Book of the present regime, even if slightly less explicitly. He stated that:

> «In the 70s Nigerians rejoiced glibly about an oil boom. This was not without its adverse effects on the nation. Money was at that time said to be no longer a problem in the execution of projects. The effect of this oil boom hysteria resulted in many of our people abandoning farming and other stable professions that had helped to sustain the economy and earn foreign exchange. Many felt that it was no longer necessary to work in order to earn a living, certainly not on the farms and the like. Many of our people simply turned into contractors of all sorts. Some became «arrangers» suppliers, forwarding agents, and all sorts of agents and consultants of all types and description. Thus Nigeria came to depend

almost entirely on a single item namely oil, as a foreign exchange earner. Traditional export items such as cocoa, cotton, groundnuts, palm kernels, etc, were no longer produced in sufficient quantity even for local consumption. Thus our whole life and our economic existence as a nation became closely tied to the vagaries of the oil market. Clearly this is a dangerous situation for any nation». *(18)*

When he turned to the strategy of economic recovery that he was to pursue in his second term, President SHAGARI proposed almost exactly what the Federal Military Government was to propose immediately after he was overthrown. He said:

«Given our present financial situation and the trends in the demand for oil, it is clear that a structural adjustment of the economy is imperative. To this end we have taken a number of measures. First, we have taken a hard look at the level and nature of Government expenditure. The 1984 Draft Estimates have been prepared to reflect this need. Secondly, I have directed that all government projects be classified into «core» and «non-core» categories. This is meant to establish priority rating of each project in the light of our present circumstances... Other measures being taken include diversification of revenue sources, reviewing the strategy of agricultural production so as to attain self-sufficiency in basic food and industrial raw materials, divesting Government of some holdings in selected corporations and companies...
During this period Government intends to secure a structural adjustment loan from the World Bank and a balance of payments loan from the International Monetary Fund. This is in addition to the rescheduling of our short-term trade debts recently concluded... out of the estimated foreign exchange earnings of ₦8.562 billion during 1984, 3.0 billion will be utilised in servicing our external loan commitments ...» *(19)*

And even in the area of the distribution of essential commodities, SHAGARI said that:

«... government will encourage the optimum use of the capabilities of well-established and reputable companies and organisations with a nation-wide network for the distribution of essential commodities...» *(20)*

As we have pointed out above, and even quoted from paragraphs 20–21 of Chapter I of the Blue Book to prove, the Federal Military Government does not shy away from the fact of the high level of continuity between their own economic recovery programme and that of the regime they overthrew. They, in fact, trace this continuity back to 1977, presumably when the OBASANJO regime imposed the first post civil-war austerity measures. What they accuse the politicians of, is corruption, mis-management and indiscipline; and of failure, through lack of will-power to implement correct policies, and not of having wrong policies.

The crucial issue for the people of Nigeria, however, is not just whether the present regime shares the same conception, strategies and policies with the regime it overthrew; but, whether these strategies and policies are capable of resolving the current economic crisis; and since they can only do this if they are based on a correct grasp of the objective realities of the country's economic crisis, the question to address ourselves to, is the extent to which they are so based. It is important to realise that if the diagnosis of a problem is mistaken the solution for the problem derived from that diagnosis is also going to be ineffective, and no amount of will-power can make it capable of resolving that problem. If the conception of the nature and causes of the current economic crisis held by the Federal Military Government is not based on a correct analysis of the true nature of this crisis, there is no likelihood that its economic recovery programme, derived from that particular conception, can bring about any genuine economic recovery, beyond temporary and partial fluctuations in one sector, or another of the economy. The issue facing the country would then be not one of how effective the present regime is in implementing its policies, but what should be the strategies and policies to replace them with and from what these should be derived ? For, whatever else they may be derived from, these strategies and policies cannot hope to succeed unless they are based on a conception of the nature and causes of the crisis which captures its true and essential characteristics.

WRONG CONCEPTION

The conception of the nature and cause of the current economic crisis in Nigeria which forms the basis of the economic recovery programme of the Federal Military Government seems to be wrong on, at least, seven major grounds.

In the first place, it is not true that one of the main factors causing the crisis is that the agricultural sector in this country has failed to produce sufficient food and raw materials for domestic consumption and for exports, because it was neglected and deprived of investment and labour, which largely went into the construction and services sectors.

Secondly, it is not true that the phenomenal expansion of revenue and foreign exchange earnings from crude oil exports, by itself, generated a massive rural – urban drift which produced a huge unproductive section of the urban population, which would otherwise have been productive if the oil boom had not lured it away from the rural areas.

Thirdly, it is not true that the large revenue in foreign exchange from oil exports made the various sectors of the Nigerian economy so dependent on importation.

Fourthly, it is not true that the public expenditure on the social services, particularly education and health, constituted a burden on the economy which facilitated the crisis.

Fifthly, it is not true that the amount paid in wages, salaries and allowances, in the whole economy, constituted a significant factor in lowering its level of productivity and facilitating the crisis.

Sixthly, it is false to claim that the private sector in the Nigerian economy was constrained and stifled in its contributions to the economy by the «pervasive role» of the government.

Finally, it is not true that the economic crisis was precipitated in 1981 by the decline in government revenue and foreign exchange earnings from ₦ 13.6 billion in 1980 to ₦ 10.5 billion in 1981, down to 8.5 billion in 1982.

THE MYTH OF THE NEGLECTED AGRICULTURAL SECTOR

Let us start with the myth of the neglected agricultural sector which is supposed to have been deprived of capital investment and labour because the oil boom pushed agricultural exports into the backwater, and encouraged capital investment to go into construction and services.

The failure of the agricultural sector to provide sufficient food and raw materials for the economy, and for significant foreign exchange earnings, was clearly not because the oil boom led to its neglect in the area of investment. Yahaya ABDULLAHI has shown recently that public sector capital investment in agriculture rose from a total of ₦ 127.268 million in the period of the Second National Development Plan, 1970–74, to a total of ₦ 2.3 billion under the Third National Development Plan 1975–80, to about ₦ 8.8 billion under the current Fourth National Development Plan 1981–85. The issue, far from being one of neglect, is one of bewilderment as to where this massive amount of public capital investment actually went into. If it actually went into agriculture why did it not raise its productivity significantly and its capacity to provide adequately for the country's food and agricultural raw materials requirements? Table B below speaks for itself:

Table B: Public Capital Expenditure in the Agricultural Sector 1962–1985 *(1)*
(₦,000)

Year	Federal Expenditure	State Expenditure	Total Expenditure
1962–68 *(2)*	10.961	41.562	52.623
1970–74 *(3)*	34.023	93.263	127.286
1975–80	1 112.598	1 188.582	2 301.180
1981–85 *(4)*	5 400.00	3 427.531	8 827.531

Source:

(1) *«Comments on Press Briefing by Minister of Agriculture» by Y.A. Abdullahi,* New Nigerian, 18/2/1985, p. 2.

(2) *Actual Expenditure.*

(3) *Estimate.*

(4) *Includes Local Government Expenditure.*

As for labour, a country with a total land area of 98.3 million hectares cannot be said to suffer any shortage of labour in agriculture if, as recent as 1980, about 18.48 million of its labour force are employed in agriculture, making up 58.0 % of the total labour force. While this does not necessarily mean that wages paid in the agricultural sector are sufficiently high and comparable to attract productive labour from which profitable agricultural enterprise may be pursued in all areas, it means that in spite of the large-scale rural-urban drift, the labour resources available for agricultural sector are, due to various reasons, actually underutilised, except during a few peak periods of farming activity, which vary in the different ecological zones of the country.

RURAL–URBAN DRIFT AND PRODUCTIVITY:

There is no doubt that *one* of the factors that caused the large-scale movement of population from the rural areas to the urban areas in Nigeria since the end of the civil war, was the higher level of income in the urban areas. For example, it has been estimated that while per capita real income in the whole country rose from ₦115.00 per annum in 1973 to ₦159.00 per annum in 1979, the per capita real income of the peasant farmers was not only about half of that by 1979, but declined from ₦82.00 in 1973 to ₦81.00 in 1979. *(21)*

The extent of the gap between the peasant farmer's and the urban per capita incomes levels would no doubt have been narrower if the huge public capital expenditure sunk into agriculture, between 1973 and 1979 alone, had actually been realised in an actual process of domestic capital formation in the agricultural sector of the country's economy.

What the oil boom did was to make it *possible* for the Nigerian state to possess the surplus to invest in the agricultural sector. If this investment did not become realised in actual capital formation in the agricultural sector and therefore did not raise the productivity and income of the farming population, this was not because of the oil boom, but because of the factors that prevented the surplus invested from being realised as capital in the Nigerian agriculture. To blame the oil boom for the rural-urban drift is like blaming the rain-clouds for erosion.

Table C below, shows the insignificant proportion of gross fixed capital formation of around 1.6% that took place as land improvement between 1975/76 and 1979/80, in a country in which public capital expenditure in agriculture in that period was over ₦2.3 billion and a large proportion ostensibly into irrigation and other such investment in the improvement of agricultural land.

What is even more important to realise is that the assumption that the rural population that drifted to the urban centres would have been productive if it had remained in the rural areas is false.

Over large areas of this country there has been a growing shortage of farming land due both to ecological deterioration and to growth in population. It has been estimated that 52% of the peasant farming households in the country possessed less than one hectare of land. *(22)* Whether they live in the rain forest, or on the edges of the desert, such peasant households are not in a position to utilise any additional labour they get in farming, even with an improvement in the farming technology.

A major feature of the rural economy in Nigeria is the large-scale and pervasive unemployment and underemployment almost all the year round. Whether the labour force had remained in the rural

Table C: Current Estimate of Gross Fixed Capital Formation (Percentage Distribution) (1)

ITEM	1975-76	1976-77	1977-78	1978-79	1979-80
1. Building & Construction	64.9%	62.9%	62.8%	52.3%	62.4%
2. Transport & Equipment	14.1%	17.6%	15.2%	19.6%	16.5%
3. Machinery	19.4%	18.4%	20.9%	29.6%	19.9%
4. Land Improvement	1.6%	1.1%	1.1%	1.5%	1.2%

(1) **Source**: *Table 2.9, p. 19,* Fourth National Development Plan 1981 –1985, Volume I, *Lagos n.d.*

areas, or drifted to the urban areas it would have remained largely unproductive. This was not because of the oil boom, or the glitter of city life, or easy money, but because a large proportion of capital expenditure in agriculture, whether public or private , is not realised in actual capital formation in agriculture, which would provide employment and raise productivity.

Finally, an important factor which disrupted millions of peasant households, rural craftsmen and herdsmen was the Great Sahelian Drought of the early 1970s, which coincided with the beginning of the oil boom in Nigeria and for which the government in Nigeria had no programme for recovery, rehabilitation and revival of the rural economy, beyond scattered famine relief. The latter was, in any case, largely misappropriated by local and state government notables.

The view that the oil boom created a large pool of unproductive labour in the urban centres which undermined the economy and facilitated, the current economic crisis is clearly false and misleading.

IMPORTATION OR EXPATRIATION?

The deepening dependence of most sectors of the Nigerian economy on large-scale and persistent importation, particularly since 1970, led to a situation in which, according to the Head of State, at his World Press Conference on Thursday, 5th January, 1984, out of every one naira about sixty-eight kobo is spent on import *(23)*. This high level of import dependence on almost all sectors of the economy is said to be one of the major consequences of the oil boom and in the conception of the Federal Military Government, one of the main causes of the current economic crisis.

The availability of large foreign exchange reserves for a country certainly makes it easier for that country to import; but over a period of fifteen years it has enough time to either import things that will ***reduce*** its overall dependence on import or import things that will ***worsen*** its dependence on imports.

The surplus generated by the Nigerian state from petroleum rent, royalties, profits and taxation gave it the wherewithal and capacity to systematically reduce the import dependence of the country and in fact promote the self-reliance of the whole of the African continent. The huge petro-dollars available to Nigeria since 1970 created a most favourable condition for the country to rapidly expand its basic infrastructure, capital goods, intermediate goods and consumer goods industries, almost all at the same time, without imposing on the population a rate of savings which would reduce their standard of living. With these industries, the foundation for the advancement of the technology and productivity of the agricultural sector would by now have been firmly laid down. This grand historic opportunity was clearly recognised immediately after the successful conclusion of the civil war, and was articulated in the definition of the objectives and scope of the second National Development Plan, 1970–74, where it was proclaimed that:

> «The country is fortunate in having the resource potential in materials and money to lay a solid foundation for a socio-economic revolution in black Africa». *(24)*

Quite clearly, what led to the over-dependence on imports, reaching the level of an economic hemorrhage within twelve years of this proclamation was the way and pattern in which these huge foreign exchange reserves were invested and the form the realisation of this investment took. Since the decisions regarding the mode and pattern of investment was not taken by the foreign exchange reserves themselves, or by all the people of Nigeria, it was the particular groups and individuals who ran the public and private sectors of the economy in these twelve years who are actually responsible for plunging the country into this massive import dependence. Most of these groups and individuals are still around often reigning, if not directly ruling, over both the public and private sectors whose gross import dependence they created by their actions and inactions. A basic political and psychological precondition for resolving this economic crisis is the clear-headed public comprehension of the scale and significance of their abysmal failure, which the attempt to blame the oil boom for our import dependence, or blame *all Nigerians* in general, is intended to hide and cover-up.

What is even more significant is that this process of massive importation was recognised as dangerous and yet was still allowed to continue and grow at a phenomenal rate.

As far back as Monday, 24th November, 1980, President SHAGARI said on his 1981 budget speech to the National Assembly that:

> «... it will be dangerous to lure ourselves into a false sense of security because our monthly import bill which stood at a level of about ₦600 million at the beginning of this adminsitration now runs at an average of ₦1 billion per month. If we therefore unwittingly erode this favourable reserve position the nation will be faced with balance of payments difficulties, with attendant ill-effects of inflation and falling standards of living». *(25)*

Why was it that in spite of this explicit awareness of the high rate of out-flow of the foreign exchange reserves at the highest level of the government, this out-flow increased? In fact, from a volume of ₦1.1

billion in October 1980 it rose to 1.5 billion in March 1982, a rise of almost fifty per cent. Table D below shows how this out-flow continued to rise with the country appearing almost completely helpless to do anything to control it:

Table D: Monthly Outflow of Foreign Exchange Through the Central Bank of Nigeria – October 1980 – March 1982

(₦ Millions)

	Year and Month	Monthly Outflow
	1980	
1.	October	1,100.1
2.	November	1,068.2
3.	December	1,217.8
	1981	
4.	January	1,237.0
5.	February	1,161.3
6.	March	846.5
7.	April	1,198.8
8.	May	947.2
9.	June	1,499.0
10.	July	1,194.0
11.	August	1,103.0
12.	September	1,398.0
13.	October	1,236.0
14.	November	1,347.0
15.	December	1,379.5
	1982	
16.	January	1,314.5
17.	February	1,235.9
18.	March	1,545.9

Source: *«Report of the Odama Committee on the State of the Nigerian Economy», Table 7,* Africa Development Vol. IX. No. 3., 1984, p. 109.

The crucial issue is why were the foreign exchange reserves of this country which had reached ₦5.5 billion in October 1980 drained away down to about 0.25 billion by March 1982, when the government was fully aware of this process and of its grave dangers.

In a public lecture on the responsibility for causing this crisis in April 1982, I raised the issue in a very specific way.

> «... if the President was fully aware, at least as far back as Monday 24th November, 1980 that this rise in the import bill poses such a great danger to our economy why did he not exercise his powers to curb it? If he tried but could not curb it because some powerful forces within, or outside the country, prevented him from doing so why did he not alert the nation to such grave developments...» *(26)*

For, as I pointed out:

«He controls the Central Bank of Nigeria, and in addition, by virtue of the Federal Government's majority share holding, he also effectively controls all the major commercial banks operating in this country. The Federal Ministry of Commerce which alone issues licences for imports is controlled by him, while the Customs Department and the Nigerian Ports and Airports Authorities who control the physical movement of the goods into the country, are all the agencies of the federal government, under his authority and control. Moreover, the federal ministries, agencies, parastatals, and limited liability companies like the NNPC; the NNSC; NEPA; FCDA; FHA, Ministry of Agriculture and Water resources together, control the largest block of financial resources in the country and their decision on their expenditure determine the flow of imports, more than all the nineteen state governments or any private company, combined together... In terms of the calibre of expertise and experience of those working in the Government under the President, he has among the cabinet and special advisers alone: a former Governor of the Central Bank; two Professors of Economics, two top-level professional architects each with a doctorate degree; a senior advocate of Nigeria, and two former Vice-Chancellors... within the federal government, on the boards and committees of its companies and parastatals; and in the ranks of the Presidents supporters, within his party and outside it, is found a quantum of expertise and experience in government and business gained... without a break for over thirty-seven years, through all the colonial and post-colonial regimes of this period». *(27)*

The conclusion was a question:

«Without any doubt President Shehu SHAGARI has available to him the power, the institutions, instruments and the expert and experienced personnel with whom he could have curbed the drain on our external reserves. If he was fully aware of the danger this posed to our economy, as he clearly has been, why did he not curb it?». *(28)*

The answer to this question, as we shall see takes us into the real nature of what is called the importation process, beyond its legal and formal appearance, into its substance as an actual process of the transfer of wealth and of the forms of its realization.

THE PROFITABILITY OF THE SOCIAL SERVICES EXPENDITURE:

After having seen that importation into Nigeria is not an automatic process -- *the Nigerian propensity to import* – but a result of specific decisions and processes, we can move to examine the conception held by the Federal Military Government of the role of government expenditure on the social services, particularly education and health, in ruining the economy.

In the first place there is no basis in fact or in law to describe social services provided to the people of Nigeria from their own resources as services provided *free*.

There is nothing free about them, as these resources, from which those services are paid, and most often over-paid for, are not the property of those groups and individuals who happen to control the government of Nigeria. Once the ideological distortion and misrepresentation involved in the notion of *free* social services, paid out of public funds, is set aside, we can move to the substance of the issue of the significance of public expenditure in the social service in causing the current economic crisis. The Federal Military Government makes a lot of this in the Blue Books and in the speeches of its leaders and functionaries, particularly in order to justify the cuts in education and health services and the imposition of fees. In fact it constitutes a major element in the government's conception of the economic crisis and in its economic recovery programme.

In order to determine whether high government expenditure on education and health contributed to causing the economic crisis, we have to establish whether the expenditure actually incurred by the government in these two social sectors went into providing these services, or whether these services were simply providing a convenient cover for those who control the government to make and enable their business patrons and partners also make huge profits.

A comparison of the actual public capital expenditure in education during the Second National Development Plan Period, 1970 – 74 with the actual rise in number of educational institutions built, and enrollment level attained, during the same period; against the actual public capital expenditure in education during the Third National Development Plan period, 1975–1980 and its similar physical achievements, will show us whether the public expenditure for education actually went for education or for massive private capital accumulation by those who control the Nigerian education industry. Table E below makes the comparison:. *(29)*

As you can see from the table, the total actual public capital expenditure in the education sector for the Second Plan Period was ₦254.579 million. In the Third Plan period this total public capital expenditure rose to ₦2.988 billion. Thus for each of the four years of the Second Plan the capital expenditure came to an annual average of ₦63,268 million; while for each of the five and a half years of the Third Plan the capital expenditure incurred came to an annual average of ₦543.278 million. Average annual capital expenditure thus rose between the two plan periods by over 800% (that is eight times) but the increase in the number of institutions and enrollment between 1975 and 1980 was barely over 100% (that is twice); even for primary schools, which are supposed to have taken the greatest share of the investment and whose figures are more doubtful. What happened to this massive capital expenditure into education? Obviously the rate of profit made in the education industry rose and is well-known in this country as the UPE bonanza.

Table E: Indicators of the Rising Rate of Profiteering in the Nigerian Education Industry: 1970–1980

Institution	Second National Development Plan: 1970/71 – 73 – 74 Total Actual Public Capital Expenditure = ₦ 254.579 million				Third National Development Plan: 1975/80 Total Public Capital Expenditure = ₦ 2.98 billion			
	1971/1972		1973/74		1975/76		1979/80	
	No. of Institutions	Total Enrollment	No. of Institutions	Total Enrollment	No. of Institutions	Total Enrollment	No. of Institutions	Total Enrollment
1. Primary Schools	15,324	3.8 million	14,523	4.7 million	21,223	5.9 million	35,300	12.7 million
2. Secondary Schools	1,234	343,313	1,499	448,409	1,513	704,977	2,908	1.1 million
3. Teachers' Colleges	–	–	157	46,951	250	123,527	260	247,478
4. Polytechnics	–	–	–	–	–	11,993	–	37,777
5. Universities	–	–	6	13,713	–	31,511	–	57,772

Sources: *Third National Development Plan, 1975 – 1980,* Vol. I, Lagos, 1975–1980, pp. 25, 237, 240 and *Fourth National Development Plan, 1980–1985,* Vol. I, 1981, Tables 2, 18, 19, 2.

Far from education and health therefore consuming a disproportionate share of public expenditure, they are used as means of massive private capital accumulation and the investment the government makes into them from public resources is unproductive and damaging to the economy precisely because it sustains a high level of profits for parasitical construction and education supplies subsidiaries of the same multinational corporations the Federal Military Government is relying on to make the economy more productive.

WAGES AND SALARIES VERSUS PROPERTY INCOME

The UDOJI wages and salary increases in 1975 and the enactment of the national minimum wage in 1981 have been used to promote the view that one of the causes of the current economic crisis is the heavy burden of wages and salaries on the government and the private sector investor. It is argued that Nigerian workers and employees are generally overpaid and this has worsened with the oil boom, making for an unproductive economy..

A major element in the economic recovery programme of the Federal Military Government is the retrenchment, on a large scale, of workers from the public and private sectors and the freeze on employment in the public sector generally.

But this conception of the nature of the economic crisis and of what caused it has no basis in the objective processes of the Nigerian economy. If resources are being consumed, wasted or expatriated, and somehow not utilised productively in this country, most of these are resources realised through income from property. In fact, as Table F shows, the trend has been that wages and salaries constituted less than one-third of the total national income even since UDOJI, while property and related incomes have constituted well over two-thirds. This portion of the nation's total income going to property has now risen to over three quarters, from 72.4% in 1973/74 to 76.8% in 1982, in spite of the UDOJI and the SHAGARI awards, (See Table F).

If the Federal Military Government is seriously interested in addressing itself to the issue of how the country's resources can be utilised most productively, it has to address itself to the issue of how to ensure that the over 75% of the total incomes that goes to owners of property, including the government itself, is actually used productively to create capital for production in Nigeria, and not consumed or expatriated.

THE «STIFLING» OF THE PRIVATE SECTOR

The view that the private sector in Nigeria has not been allowed by «the pervasive role» of the government, which provided many things *«free»* to the people, to make its contribution is as false as it is astounding.

In the first place, as can be seen in the case of agriculture (Table B) and education (Table E) the massive capital investment by the government in these sectors has only fuelled private business activity, and promoted a rate of private capital accumulation by Nigerian businessmen and corrupt

Table F: Percentage of Labour and Property and Related Incomes in Nigeria, 1973/74 – 1982 *(1)*
(at 1973/74 values)

Type of Income	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980	1981	1982
1. Labour Incomes *(2)*	27.6%	31.1%	32.0%	28.5%	27.8%	27.2%	25.4%	24.5%	25.4%	23.2%
2. Property and Related Incomes *(3)*	72.4%	68.9%	68.0%	71.5%	72.2%	72.8%	74.6%	75.5%	74.6%	76.8%

Source:

(1) «Recent Pattern of Accumulation in the Nigerian Economy» by Bright Ekuerhare, Africa Development, *Vol. IX, No. 1, 1984, Table 7, p. 69.*

(2) Labour Income include Wages, Salaries, Employees Contribution to NPF and other Pension Schemes and other Labour benefits.

(3) Property and Related Incomes include Entrepreneurial Income, Interest, Dividend, Rents and Royalties.

public officers, equal, if not more, than the rate in any other country in the whole world. The rate at which millionaires, and even billionaires, in dollar and sterling, were produced by the Nigerian economy in the last fifteen years is the most obvious confirmation of the way in which, far from «stifling» the private sector, the government in Nigeria was its very fruitful milk-cow. Private enterprise and private accumulation in legal, semi-legal and illegal ways is the dynamo operating the Nigerian economy. The hundreds of reports of various commissions of inquiry testify and document this fact in graphic detail, from the area of petroleum to defence, construction, transport, education, manufacture, banking, and in fact all sectors.

Bright Ekuerhare has, in a useful computations he has made regarding the recent pattern of accumulation in Nigeria, established that, in the average annual growth rate of production activity, in various sectors, in the period 1973/74–1982, finance and insurance were the highest with 18.2%, followed by manufacturing (assembling) and then transport. *(30)* In all these areas, private sector ownership predominates.

In fact, as the Odama Report has indicated in its assessment of the disappointing level of performance of manufacturing in Nigeria, the private sector's role in the economy is central to the high level of import-dependence of the Nigerian economy, and of its low level of internal linkages and productivity; and, everyone would agree – its pervasive and deep-rooted corruption.

THE PRECIPITATING FACTOR

It seems to have become an article of faith with the governments of Nigeria and with most analysts of the economic crisis that what actually precipitated it was the decline in revenue and foreign exchange earning between 1980 and 1982. This decline was no doubt significant and would under any circumstances pose some problems to the economy.

But the question which the governments and most analysts and commentators do not often ask is, why did such a decline in the oil revenue cause such a catastrophic liquidity crisis immediately? The answer is simple: because of the increasing rate at which the disbursement of the country's foreign exchange reserves was being done.

As I have tried to explain with a simple analogy:

> «We can compare the situation with what happens in a water tank. The volume of water in the tank, at any time is determined by the amount flowing into it as against the amount flowing out of it. But no matter how large the volume of water flowing into a tank is, if the rate flowing out of it is higher and keeps rising, the tank will become empty». *(31)*

As Table G below shows, the issue to be addressed is that of the explosive expansion in what Nigeria was paying for importation and *not* the decline in oil revenue whether we see it as due to the oil glut, or to the world capitalist depression.

Table G: Nigeria's Total Imports at Current Prices: 1974–1981

No.	Year	Total Value
1.	1974	₦ 1.72 billion
2.	1975	₦ 3.71 billion
3.	1976	₦ 5.12 billion
4.	1977	₦ 7.09 billion
5.	1978	₦ 8.35 billion
6.	1979	₦ 6.19 billion
7.	1980	₦ 9.09 billion
8.	1981	₦12.91 billion

Source: *«Report of the Odama Committee on the State of the Nigerian Economy».* Africa Development Vol. IX, No. 3, 1984, *Table 6, p. 108.*

The explosive nature of this trend in payments for importation has to be fully appreciated if we want to get to the essential characteristics of this crisis.

Between 1974 and 1979 the payments for these imports rose by about 500% (five times) from ₦1.72 billion to ₦6.19 billion. That took place during the military regime. In the next two years after that, the amount doubled from ₦6.19 billion in 1979 to ₦12.91 billion in 1981.

Thus, in the seven years between 1974 and 1981, the annual average rate of growth of what Nigeria was paying for merchandise imports was about 100%. That means it was doubling every year.

At this rate of growth of the annual foreign exchange disbursement of Nigeria the liquidity crisis which hit the government in March, 1982 would have taken place even if the decline in oil revenues in 1980–82 had not occured at all. This is because the revenue and foreign exchange earnings were not, and could not match-up with this explosive rate of growth of the Nigerian payment for merchandise imports alone.

As Table H makes clear this rate of foreign exchange disbursement has generated a momentum of its own. When oil revenues declined between 1980–1982, the external debt incurred by the government rapidly rose by over 300% (three times) within two years. This is leaving out the equally rapid rise in trade credit.

Table H: Rate of Flow of Total Export Earnings of Nigeria and Rate of Increase of External Debt of the Federal and State Governments 1976–1983

(NAIRA)

No.	Year	Total Export Earnings	Total External Debt
1.	1976	6.75 billion	–
2.	1977	7.63 billion	–
3.	1978	6.05 billion	–
4.	1979	10.37 billion	1.61 billion
5.	1980	14.69 billion	1.86 billion
6.	1981	10.87 billion	2.33 billion
7.	1982	8.72 billion	7.36 billion
8.	1983	7.61 billion	10.21 billion

Source: *Same as Table G, p. 106 and «The Green Paper on the State of the Nigerian Economy»,* Africa Development, Vol. IX, No. 3, 1984, *p. 121.*

If we want to grasp the factor that precipitated the crisis we have to look beyond the decline in oil revenue into the reason for the high rate of the growth in the payment of importation, in the first place.

Even compared with other oil-exporting countries, Nigerian costs had become much higher and excessive. In the area of construction into which so much of the investment of both private and public sectors went, the Ministerial Committee on the causes of the Excessively High Cost of Government Contracts in Nigeria, reported in 1980 that:

> «The Committee which has made an indepth study of the cost structure of the construction industry in Nigeria has come to the conclusion that Nigeria's costs are relatively higher than in other countries. The studies in Kenya and Algeria revealed that our costs are about 200 per cent that of Kenya and 130 per cent that of Algeria». *(32)*

The same committee discovered that the unit cost of irrigation schemes in Nigeria compared with three other West African countries by the order of magnitude as shown in Table I.

Table I: Unit Cost of Irrigation Scheme in West Africa 1977–78 *(1)*

(Naira)

No.	Country	Cost of Complete Irrigation Schemes Per Hectare
1.	Liberia	250.00
2.	Ivory Coast	500.00
3.	Ghana	1,068.00
4.	Nigeria	2,470.00
	(Bakalori)	7,540.00

(1) **Source:** *Report of the Ministerial Committee on the Excessively High Cost of Government Contracts in Nigeria,* Lagos, 1981, p. 13.

It is a significant indication of the trend in these costs that the Bakalori Irrigation Scheme, which was still being completed when the report was written had a unit cost of ₦7,540.00 over 200% the standard Nigerian cost. The contract for this irrigation scheme was first signed with Italian companies in 1975, for completion in March 1980, at a total cost of ₦159 million with a high foreign exchange component of over 50% *(33)*. By January 1980 the total cost was ₦350 million. Almost all the major capital projects involved these sorts of excessively high unit costs compared to almost all parts of the world and also had a high foreign currency component in the payment.

We should set this against the revelation by the former Managing Director of the IBWA, Mr. O. OLASHORE in 1983 that out of the ₦11.9 billion Nigeria used to pay for her imports in 1981, the actual value, (without the specially excessive and open fraudulent charges and margins) would have been ₦2.97 million *(35)*. Nobody has challenged this computation since it was made and Mr. OLASHORE is still in banking, as Managing Director of the much larger First Bank of Nigeria, and is still talking regularly.

From all the information available regarding the actual operation of the import trade and the foreign exchange transactions of Nigeria, and from the amount of wealth accumulated by Nigerian public officers and businessmen abroad, the explanation for the high rate of payments for imports and all other developments connected with it is that importation is simply a means of expatriation of surplus generated in Nigeria, for investment abroad. It is believed to be more secure abroad given the fact that most of it was obtained through the open looting or manipulation of investment of public funds and other economic operations of the Nigerian State.

CONCLUSION

On the seven grounds set out above, it is clear that the conception of the nature and causes of the current economic crisis held by the Federal Military Government and which forms the basis of its present economic recovery programme, is erroneous at a fundamental level. And because of this fallacious and erroneous basis, it prevents the Federal Military Government from coming to grips with the real nature, and basic causes, of this crisis, and therefore of working out and implementing strategies and programmes capable of resolving it.

The erroneous basis of their conception of the nature and causes of the crisis is located, in particular, in its failure to comprehend the crisis as one of expatriation of capital caused by a distinct pattern of accumulation within the Nigerian economy, and through the specific ways this economy has come to be subordinated to the economies of the metropolitan capitalist countries, since it came to generate large petro-dollar surpluses from the rents, royalties and profits the Nigerian State earned from petroleum exports, within the last fifteen years.

Instead of grasping this essential characteristic of the current economic crisis, and on the basis of it working out strategies and programmes with which to mobilise the people and the natural resources of the country to transform this structure of domestic accumulation and of expatriation, the Federal Military Government focusses on other very superficial aspects of the crisis like importation of raw materials, rural-urban population drift and budget deficits; while the process of expatriation, now through *debt-servicing,* becomes deeply entrenched and a virtual hemorrhage of the life-blood of the economy. *(36)*

It is important to realise that the depression in the metropolitan capitalist economies beginning from the early 1970s, only intensified the growth of this process of expatriation of capital from Nigeria. It did this through the compensatory mechanism imperialism operates to make-up for declining profits in the metropolis by raising the rate of profits from the dependent economies. The Cement Armada of 1974–76 which almost wrecked the Nigerian economy and facilitated the ending of military rule in 1979, was an example of the crude operation of this mechanism, as I have attempted to show elsewhere. *(37)*

Now, the process of expatriation in Nigeria has been taken to such a level, and has become so entrenched through a debt syndrome, that even the recent recovery in the metropolitan capitalist economies is only worsening the crisis here; as the Federal Military Government squeezes out almost every kobo from the country to pay for debts, which were simply used to facilitate the earlier phase of this expatriation and which were therefore not genuine, but which apparently have to be «honoured» in order to keep the credit lines of subsidiaries of the multinational corporations and banks operating in Nigeria open.

Since about 1981, the rate at which the surplus generated in this country was being expatriated and invested, or consumed abroad, has become so high, that not only has actual capital formation virtually stopped in any significant sense, but even the replacement of depreciated capital stocks has virtually stopped. In fact, to sustain this rate of expatriation, the Federal Military Government is cutting down the standards of living of the people through cuts in their income, inflation, taxes and levies and through reduction or cessation in the social services.

It is very important to realise that these cuts and taxes were not just simply to save public expenditure in order to invest the little available in productive enterprise. If it were so, the Federal Military Government would have attempted to cut down the major areas in which public funds are drained (cost of construction) to at least bring them down to the level of Algeria, where they are less than half of our costs. Instead of doing that, although all investigations have shown how massive this inflation of construction costs is, the government's policy is as set out by the Chief of Staff Supreme Headquarters in December last year :

> «The total value of all projects being handled by the Federal Ministry of Works and Housing is in the billions of naira. These are no small projects by any standards. Their realisation involves huge capital outlays in machinery, as well as in material and men. In some projects because of special technologies required, such projects cannot be carried out on direct labour basis. It is therefore evident that Government will continue to use the services of competent and experienced contractors in the construction industry. The problem of the civilian administration was the patronage it gave to mushroom contractors who had neither the experience nor the means to carry out such projects. Against technical expert advice these «emergency contractors» were awarded contracts far beyond their experience, competence, and ability to conclude satisfactorily. It was this category of contractors that failed the nation most... Given a better scrutiny of tenders and the committment to the use of only experienced and competent contractors the grave abuse of the past will be greatly reduced if not completely eradicated» *(38).*

How can the costs of construction in Nigeria which are 200 % higher than Kenya and 130 % higher than Algeria be brought down to save public resources merely by greater «scrutiny» by tenders boards before awarding contracts to the same large foreign contractors whom the Essang Committee accuses of zoning the country and who actually get most of the construction contracts in terms of value, even if not number? How can the unit of cost of irrigation, a major policy of the government in the priority agricultural sector be brought down to even the Ghanaian level, without a transformation of the construction industry ?

Neither is the massive drainage of foreign exchange reserves through the importation of c.k.d. parts for vehicle assembly being tackled, even though it is very obvious that bare spare parts to keep some of the existing vehicles on the road, is the great priority in the road transport sector.

One can cite so many other examples besides the areas of debt-servicing, contracts, cost of construction projects, and importation of c.k.d. parts for vehicle assembly, to show how the economic recovery programme of the Federal Military Government is entrenching the very forces and processes that caused the crisis.

The alternative to their conception of the nature and causes of the current economic crisis is both implicitly and explicitly contained in the treatment above. The basis for an alternative economic recovery programme, derived from a correct conception of the objective reality of the crisis, is also to be found there, and in the specific strategies, programmes and policies earlier proposed by a workshop in which this writer participated, which took the form of: *The Green Paper on the State of the Nigerian Economy (39),* produced in October 1983, and still valid and superior to what is being inflicted on us in the form of the Blue Book.

But the White Paper of June 1983, the Green Paper of October 1983 and the Blue Book of January 1984, should not constitute the economic recovery programme of a nation which genuinely wants to overcome such a grave and far-reaching crisis. Such a programme has to be worked out, using alternative proposals to begin with, by the conscious and organised popular institutions, made up in every locality and working place, by the productive population of the country, who alone prossesse the capacity and will to save it and to genuinely and resolutely overcome the current crisis.

REFERENCES

1. The International Conference on the Economic Crisis, the Austerity Measures and Privatisation in Africa is organised by the Centre for Social and Economic Research, Ahmadu Bello University, Zaria, Nigeria and the Council for the Development of Economic and Social Research in Africa (CODESRIA), P.o. Box 3304, Dakar, Senegal at Kongo Conference Hotel, A.B.U., Zaria, on 11th–16th March, 1985.
2. I have earlier attempted to analyse the nature and causes of this crisis in a number of lectures and articles in particular:
(i) «Behind the Oil Smokescreen: The Real Causes of the Current Economic Crisis», May Day Lecture organised by the Kaduna State Council of the Nigerian Labour Congress, Friday, 30th April, 1982, in *Who Is Responsible? The Nigerian Workers and the Current Economic Crisis: May Day Speeches and Statements Kaduna, 1982,* P.R.P. National Research Directorate, Zaria, 1982, pp. 30–69.
(ii) «Errors and Evasions: The Economic Crisis and the New Nigerian Special Correspondent», *New Nigerian,* 21st and 22nd May, 1982, p. 5, pp. 5/12.

(iii) «Middlemen Consultants, Contractors and the Solutions to the Current Economic Crisis», Ife Lecture Series, No. 1, The Post-Graduate School, University of Ife, Ile-Ife, Monday 23rd January, 1984, *New Nigerian*, 30th January 1984 – 2nd February, 1984.

(iv) «An Assessment of the 1985 Budget», *New Nigerian*, Tuesday 8th, January, 1985, pp. 2–5.

(v) «Education and the Current Economic Crisis: Basic Issues and Basic Choices», Public Lecture, College of Education, Sokoto, Friday 11th January, 1985, *Sunday New Nigerian*, 20th January, 1985, pp. 7, 14. Others on the nature and analysis of the causes of the crisis available include:

(a) «The Cause of the Depression in the Nigerian Economy» by Eskor Toyo, *Africa Development*, Vol. IX, No. 3, 1984, pp. 28–39.

(b) «Nigeria's Economic Crisis: Structural Origins and Social Foundations and Policy Options» by A.W. Obi, *Ibid*, pp. 40–52.

(c) «The Deepening Economic Crisis and its Political Implications» by Yusuf Bangura, Rauf Mustapha and Saidu Adamu, *Ibid*, p. 53–74.

3. The existence of this document was announced by the Head of State, Major General Muhamadu Buhari, in his broadcast on their first one hundred days in office, *New Nigeria*, 14th April, 1984, pp. 3–6. The New Nigerian published the document under the title of «Objectives, Policies and Programme of the FMG», *New Nigerian*, 18th, 19th and 20th June, 1984.
4. These are quite numerous and are to be found published, often the full text, in various newspapers and magazines. The most recent body of such information are the ministerial press briefings which the New Nigerian has been serialising.
5. See the *Guardian*, 11th and 14th September 1984 for their composition and terms of reference.
6. *Daily Times*, 16th November, 1984, p. 3
7. *Daily Times*, 7th January, 1984, pp. 12–13.
8. These can be found in the various Nigerian Newspapers and in *Africa Development: Special Issue on Nigeria*, Vol. IX, No. 3, 1984, pp. 162–193.
9. Its full title is *The National Economic Council (NEC) Expert Committee Report on the State of the Nigerian Economy*, Federal Ministry of National Planning, Lagos, February 1983. Full text has been published in *Africa Development: Special Issue on Nigeria*, Vol. IX, No. 3, 1984, pp.75–115.
10. This White Paper was serialised in the *New Nigerian* 4th–6th July 1983 and its full contents are incorporated in: *The Green Paper on the State of the Nigerian Economy*, which sets out alternative strategies and policies on each of the 105 points in the White Paper. For a full text of this see *Africa Development: Special Issue on Nigeria*, Vol. IX, No. 3, 1984, pp. 116–161.
11. «The Odama Report...» *Op. cit.*, p. 79.
12. «The Odama Report...» *Op. cit.*, pp. 96–97.
13. «The Odama Report...» *Op. cit.*, p. 97.
14. «The Odama Report...» *Op. cit.*, p. 78.
15. «The Odama Report...» *Op. cit.*, p. 78.
16. *New Nigerian*, 30th–31st December, 1983.
17. *The Nigerian Standard*, Tuesday 1st November, 1983, p. 11.
18. *New Nigerian*, 30th–31st December, 1983.
19. *Ibid.*
20. *Ibid.*

21. *First Things First: Meeting the Basic Needs of the People of Nigeria,* International Labour Organisation, 1982.
22. *Rural Economic Survey, Federal Office of Statistics, Lagos.*
23. *Daily Times, 7th January, 1984,* p. 13.
24. *Second National Development Plan:* 1970–74, Federal Ministry of Information, Lagos, 1970, p.32.
25. *New Nigerian,* November, 1980.
26. *Who is Responsible? The Nigerian Workers and the Causes of the Current Economic Crisis,* P.R.P. Research Directorate, Zaria, 1982, p. 36.
27. *Ibid,* pp. 36–38.
28. *Ibid,* p. 39.
29. This table was first used for the Public Lecture I delivered at the College of Education, Sokoto cited in Footnote No. 2 above.
30. «Recent Pattern of Accumulation in the Nigerian Economy» by Bright O. Ekuerhare, *Africa Development,* Vol. IX, No. 1, 1984, pp. 56–70.
31. Who is Responsible? ... p. 44.
32. *Report of the Ministerial Committee on the Causes of the Excessively High Cost of Government Contracts in Nigeria,* Lagos, 1981, p. 8. This committee was set up by President SHAGARI in 1979 and it reported in 1980. It was very high-powered, having the Minister of Finance (Professor S. Essang) as its Chairman and the Minister of Defence (Iya Abubakar), Minister of Industries, (Adamu Ciroma); Minister of Housing (Wahab Dosunmu); Minister of National Planning (Ebun Oyagbola) and Minister of State in the Ministry of Finance (Ademola Thomas) as its members.
33. «The Political Economy of the Planning of the Bakalori Irrigation Project, 1974–1980» by Okello Oculi, in *Political Repression in Nigeria: 1979–1981.* edited by Y.B. Usman, Zaria, 1982, pp. 99–100.
34. *Ibid.* p. 100.
35. *Business Concord , 21st October 1983.*
36. In a recent interview published in the Guardian of Sunday 10th March, 1985, the Head of State said that this rate of debt servicing will rise to 60% of total foreign exchange earnings by 1987.
37. See «Middlemen, Consultants, Contractors ... cited in Footnote No. 2 above and *The Central Role of Corruption in a Dependent Capitalist Economy: The Nigerian Experience.* NISER, Public Lecture Series, University of Lagos, Lagos, Thursday 5th May, 1983 (to be published by NISER, Ibadan, Nigeria).
38. See the Chief of Staff Supreme Headquarters exclusive interview with Achike Okafo and Theresa Ogbuibe, *Sunday Times, 2nd December, 1982 and 9th December, 1984.*
39. The Green Paper was first serialised in *Sunday Standard* from 11th December, 1983 to 25th December, 1983 and has since been published in *Africa Development, Vol. IX, No. 3, 1984,* pp. 116–161.

APPENDIX A

The Blue Book (extracts from: the objectives, Policies and Programmes of the Federal Military Government, New Nigerian 18–19th June 1984)

«The Nigerian Armed Forces intervened and took over the government of Nigeria to halt the drift towards economic collapse and political chaos, turn the economy around and give the nation a new lease of life and a purposeful sense of direction. The failure of the civilian administration and the problems confronting our country were identified in four main areas:

(i) Mis-Management of the economy – lack of financial discipline; huge external debts: over-dependence on internal and external borrowing; heavy budget deficits and a weak balance of payment position.
(ii) Lack of public accountability – indiscipline; kick-backs and other forms of corruption; inflated contract sums, over-invoicing of imports, smuggling; illegal dealings in foreign exchange, forgery, fraud and embezzlement, misuse and abuse of office, arsons, etc...
(iii) Intolerable suffering, and general deterioration in the standard of living of the common man – scarcity of food and galloping inflation; closure of factories which were unable to obtain import licences for their raw materials while such licences were issued to the wrong people; unemployment; and
(iv) Insensitivity of the political leadership – suffering of the masses while the leadership were wallowing in affluence; the unity and stability of the nation were severely threatened by the widespread perversion of the electoral process, and the incalculable harm which the politicians had done to our reputation as a Nation.

Unity

2. The main policy objectives of this Administration are to: – (a) maintain national unity and stability; (b) give the nation a better and more purposeful sense of direction; (c) embark on prudent management of the available resources and diversification of the economy; (d) achieve self sufficiency in the production of the major staple food commodities ; and essential raw materials within a targeted period; (e) create more job opportunities; (f) re-phase development projects involving large foreign exchange commitments; (g) clean the society of the cankerworm of pervasive corruption; (h) maintain law and order and ensure the security of life and property; (i) encourage the development of improved work ethics among the Nigerian workers ; (j) check the activities of hoarders, smugglers, currency traffickers and all other social and economic saboteurs.

3. The Federal Military Government will re-appraise, on a continuing basis, the policies of the defunct civilian administration and adopt policies and programmes which pay greater attention to the following: (a) prudent management of the economy to ensure its early revival; (b) punishment of corrupt officials and their agents to ensure public probity; (c) importation of essential good items to supplement the shortfall in local food production, having regard to the prevailing scarcity and the drought which affected most parts of the country; (d) improvement in the quality of life of all Nigerians, particularly the masses; (e) discipline and accountability in our body politic; and (f) security of life and property.

4. However good a programme may be, it requires to be faithfully and effectively implemented if the desired results are to be achieved. The Federal Military Government has therefore directed that Ministries should be re-organized, as necessary, to provide the machinery for implementing their prescribed policies and programmes, set up units to monitor implementation and devise effective means of measuring achievement

at suitable intervals. The Military Administration, not being constrained by a pre-occupation with electoral promises and gains, possesses sufficient will to implement approved policy measures.

5. All areas of waste must be eliminated. To this end: (a) all Ministries, Departments and Parastatals are required to carry out yearly personnel audits to eliminate «ghost» workers; (b) all Ministries, Departments, Parastatals and Government-owned companies are required to submit annual reports of their activities, including audited accounts of their income and expenditure, not later than three months after the end of each financial year; (c) every effort must be made to reduce recurrent expenditure by at least 25 %. This level of reduction will be reflected in the Estimates of each succeeding financial year; (d) the high cost of government projects must be curtailed. Renewed emphasis will be placed on the exploration of new sources of revenue; (e) parastatals will be encouraged to devise effective debt-collecting measures and be increasingly self-financing through a progressive reduction of government subsidy.

CHAPTER I – NIGERIA'S ECONOMIC & FINANCIAL OUTLOOK

This document contains the policies and programmes of the new Administration. But first, a review of the state of the economy.

2. Two main features of the Nigerian economy have been observed in recent years namely, the country's over-dependence on oil as the main source of foreign exchange and government revenue, and the emergence of government as the prime mover of the economy. While the expansion of these two factors has brought prosperity and significant improvement in economic well-being, their decline has led to economic recession and a fall in the standard of living of the people.

Sectors

3. The oil boom of the 1970s led to fundamental structural changes including a shift in the pattern of investment to the construction and services sectors, an increase in the importation of goods and luxuries and the neglect of the agricultural sector resulting in shortage of food supplies, high food prices and a loss of the foreign exchange earnings which would otherwise have accrued from the agricultural sector. The oil boom also generated large population drifts from rural to urban centres thus creating a large class of people who consume but do no produce any material goods. Governments of the country encouraged by the large revenues, assumed a more pervasive role in the economy and virtually stifled the efforts of the private sector by their commitment to provide almost everything free to the people.

4. Since 1981 when the oil glut became a world-wide phenomenon, oil revenue which had constituted about 73 % of total revenue collected by the Federal Government at the peak of the oil boom began to decline. For example, from a peak of ₦ 13,632 million in 1980, the value of exports of oil declined to ₦ 10,535.5 million in 1981 and ₦ 8,583.8 million in 1982. This resulted in a slow-down of economic activities because the various governments that had controlled the economy were facing declining revenue.

The effect of the oil glut was worsened by economic mismanagement by governments of the Federation, giving rise to increase in budgetary deficits and acute shortages of foreign exchange reserves. The Federal Government, in its effects to minimise the impact, resorted to internal & external borrowings, and trade and exchange control measures. While these measures stemmed the rise in imports, they resulted in shortages of essential consumer goods and industrial materials. Further consequences of this development were low productivity, unemployment, retrenchment of labour, intensification of inflationary pressures, smuggling, etc...

Public Finance

5. The governments of the Federal Republic of Nigeria based their budgets almost solely on anticipated revenue from oil. Expenditure was raised to match increased

revenue and reduced following a decline in revenue. Most of the State Governments made less efforts to generate and exploit new sources of revenues, and even competed among themselves to abolish well-known and fruitful sources of internal revenue.

6. State Governments presented large budgets ostensibly to impress the electorate. Some Governments budgeted for free education at all levels, free medical services, proliferated the establishment of polytechnics and universities and proposed or even started projects which they could not possibly expect to execute having regard to all the resources at their disposal within a budget period. Recurrent expenditure also escalated in the past four years because of a proliferation of political appointees at all levels of government. There was evidence of gross inflation of job contracts, lack of probity and non-accountability on the part of public office holders.

7. In 1979, the Federal Government recorded a surplus of ₦ 1,461.6 million. But there was a deficit of ₦ 1,975.2 million in 1980 and estimated deficits of N3,902.1 million and ₦ 6,178.6 million in 1981 and 1982 respectively. With respect to State Governments, available data for 1980–1982 showed that their combined budgetary deficits rose from ₦ 3,882.6 million in 1981 to N 5,373.1 million in 1982.

Percentage share of Imports

Imports	1977	1982
Raw material	23	25
Capital goods	48.2	32.8
Consumer goods	28.5	41.6

8. The continuing increases of budgetary deficits were financed by both internal and external borrowings. The internal borrowings which were largely from the Central Bank necessarily increased the inflationary pressure on the economy. The maintenance of monetary stability by the Central Bank became illusory since it is only the proportion of money supply for which the private sector is responsible that is amenable to Central Bank's control.

9. Another factor in government expenditure was that no provision in the form of «stabilisation fund» for the rainy day was made. Rather, all revenues accruable to the Federation Account were completely shared out.

Balance of Payments

10. The value of the country's imports was ₦ 12,565.5 million in 1982. This was higher than the value of imports for 1977 and 1980 by ₦ 5,471.8 million and ₦3,469.9 million respectively. As a result of the imports policy adopted, in times of oil boom, there was import liberalisation. However, after a down-turn in oil exports, imports usually take a longer time to adjust. This stickiness of imports to downward adjustment gave rise to problems like rapid accumulation of short-term credits, the rush for other forms of external financing, over-invoicing, etc...

11. Of more concern is the pattern of imports since 1977 which has progressively shifted in favour of consumer goods, particularly food items.

The increase in the importation of food items was particularly large, averaging about 28 % during the period compared with about 11 % aggregate imports. The importation of rice reached an all time high in 1981 when payment for the item amounted to ₦ 301.0 million, an increase of ₦ 211.7 million or 236.8 % over the level in 1980. The continuing importation of food items such as rice helped to create uncertainty in the minds of local producers and constituted a serious hindrance to engaging in local food production.

12. Given the Nigerian propensity to import, and declining revenue from oil export, it became inevitable that the country would face foreign exchange reserves

problems particularly as there appeared to be ineffective management of the reserves. It is not surprising that there were excessive external borrowings or commitments, which in 1982 stood at ₦ 5,341.2 million.

13. A number of problems have emerged from the enormous growth in external debt, including increased debt burden, structural shift in its composition, harder borrowing terms and inadequate control and co-ordination. The ratio of reserves to external debt outstanding indicated an increasing debt burden. The ratio was 41.1 per cent in 1982 compared with 435.7 and 265.9 per cent in 1977 and 1980 respectively. The debt service ratio which stood at 0.8 % in 1977 has since risen to 4.6 per cent and 8.9 per cent in 1981 and 1982 respectively.

Smuggling and Dumping

14. Smuggling has become endemic in the Nigerian society. Initially, smuggling was associated mainly with unlawful importation of prohibited goods, but within the past few years it has manifested itself in various other forms e.g. illegal currency trafficking; smuggling of food items, petroleum products and minerals across the country's borders and arms and drugs peddling. There is need to constantly emphasise the adverse effect of this phenomenon on the Nigerian economy in order to elicit appropriate solutions. Smuggling causes loss of revenue to Government. Inferior goods are dumped in the country; local industries are stifled; consumer items required in the country are taken out; the distribution of incomes and the allocation of resources are distorted; the unemployment situation worsens; industries produce below capacity, etc...

Low Productivity

15. Low productivity was manifested in the main sectors: agriculture, industry and services. Due largely to a combination of environmental technological inadequate planning and labour constraints, the agricultural sector was unable to meet the basic food requirements of the population and substantial amounts of food to be imported.

16. The over-dependence of the manufacturing industries on imported inputs – machinery spare parts and raw materials – whose regular inflow has been disrupted due to the then foreign exchange crisis and structural problems in other sectors of the economy, especially agriculture and service industries, have resulted in the lack of desirable linkages with manufacturing sector. The growth performance of the sector was subject to wide fluctuation. For instance about half of the 15.6 per cent rate of growth during the period 1977–83 was achieved in only one year – 1979. The high cost of production in the sector has also not been matched by a high standard of quality and this contributed to make locally manufactured goods less competitive with imported goods.

17. Service industries such as electricity, transportation and water supply have failed to meet the needs of the economy either because of inadequate facilities or instability in the services rendered. Many industries and individuals had to install private generating plants and to sink boreholes, thus exacerbating foreign exchange out-flows.

Inflation

18. Inflation remained a source of major concern to the economy. The price increase ranged between 20.8 % in 1981 and 7.7 % in 1982. Inflation has been caused by a number of factors: inadequate supply capacity, serious foreign exchange problems and large increases in money supply following excessive government spending, poor market research, etc...

Unemployment

19. Although reliable statistics of unemployment are not available, the unemployed include not only secondary school leavers but also graduates of universities and

other institutions of higher learning. The unemployment of a growing number of graduates poses a serious social problem.

Policy Implementation Problems

20. Government policy since 1977 has been to achieve and maintain a healthy balance of payments position, reduce the rate of price inflation, accelerate the rate of domestic production, mobilize domestic savings, facilitate the expansion of domestic investment, raise the level of employment and maintain social stability. To achieve these objectives, a combination of monetary and fiscal policies and some direct controls were employed.

21. The failure to achieve all of the objectives of policy cannot be attributed to inappropriate policy measures. The measures were generally in the right direction but implementation was faulty, mostly due to corruption. There was a lack of sufficient will to implement the measures. Approach to policy was also faulty, being in the nature of stop-go, while the increasing role of government as the prime mover of the economy constrained the private sector and blunted the edge of policy weapons.

RESUME

Trois grandes parties contituent cet article. Dans la première, l'auteur examine la conception que l'actuel gouvernement militaire se fait de la crise. Dans la deuxième partie, il cherche à savoir si cette conception constitue une base suffisamment correcte et réaliste capable de produire un diagnostic valable de la crise. Dans la troisième et dernière partie, l'auteur propose une base plus réaliste pour comprendre les principales caractéristiques de la crise au Nigéria afin de mettre en place des stratégies et des programmes d'exécution corrects et aptes à la résoudre.

Dans la première partie, l'auteur note que la crise que traverse le Nigéria est due aux mesures et échecs politiques suivants du gouvernement civil déchu: (1) ce gouvernement a initié des projets qu'il ne pouvait pas terminer avec les moyens dont il disposait; (2) les retombées de l'inflation sur les contrats; (3) la prolifération des nominations politiques; (4) l'excès de confiance en la production de pétrole comme source des revenues du gouvernement et le refus d'explorer d'autres voies; (5) l'existence de gros déficits budgétaires inhérents à toute baisse des revenues; (6) le recours à de gros emprunts, internes et externes à la fois; (7) la fraude ainsi que d'autres formes de trafics illégaux de monnaie, d'aliments et de pétrole aux frontières du pays.

L'auteur estime que ce sont là des causes erronées parce que partant d'une base fausse. En effet, les autorités militaires n'ont pas compris que les causes profondes de la crise résidaient dans l'expatriation des capitaux. En réalité, le gouvernement militaire ne s'est attaqué qu'aux causes moins importantes telles que l'importation des matières premières, l'exode rural et urbain et les déficits budgétaires. Pour l'auteur, les alternatives à la conception actuelle des causes de la crise au Nigéria ainsi qu'aux stratégies actuellement mises en œuvre sont celles consignées dans le «Green Paper on the State of the Nigerian Economy» publié en Octobre 1983. Dans tous les cas, de telles alternatives devront être menées par des institutions populaires consciencieuses et organisées, installées dans toutes les localités et lieux de travail par la population productive du pays.