

THREE DECADES OF NEO-LIBERALISM IN NIGERIA: A REVIEW OF RELEVANT ISSUES

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I. INTRODUCTION-1

- Neoliberalism is a social science and largely economic policy model that transfers control of economic factors from the public to the private sector of the economy.
- Liberalism, in economics, refers to a freeing of the economy by eliminating regulations and barriers that restrict what actors can do.
- It takes from the basic principles of neoclassical economics



I. INTRODUCTION-2

- It suggests that:
 - governments must limit subsidies
 - make reforms to tax law in order to expand the tax base,
 - reduce deficit spending,
 - limit protectionism, and open markets up to trade.
 - It also seeks to abolish fixed exchange rates,
 - back deregulation,
 - permit private property, and
 - privatize businesses run by the state.
 - greatly reduced government spending.
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I. INTRODUCTION-3

This paper is an attempt to assess three decades of neoliberalism in Nigeria by reviewing relevant information in this regard.

It is organised into six sections.

- Section I - Introduction.
- Section II - Neoclassical Economics.
- Section III - Issues in Neoliberalism
- Section IV - Case of Nigeria
- Section V - Review of Relevant Contemporary Issues
- Section VI - Concept of Developmental State



I. NEOCLASSICAL ECONOMICS -1

- Neoclassical economics is an approach to economics that relates supply and demand to an individual's rationality and his ability to maximize utility or profit. The term neoclassical economics was officially coined in 1900.
- Neoclassical economists believe that a consumer's number-one concern is to maximize personal satisfaction, and that everyone makes decisions based on fully informed evaluations of utility.
- It states that competition leads to an efficient allocation of resources within an economy, which establishes market equilibrium between supply and demand.




NEOCLASSICAL ECONOMICS -2

- Neoclassical economics has grown to become the primary take on modern-day economics.
- This school of thought has its detractors.
- Most criticism are that neoclassical economics makes many unfounded and unrealistic assumptions that do not represent real situations.
- For example, the assumption that all parties will behave rationally overlooks the fact that people are vulnerable to other forces, which can cause them to make irrational choices.



ISSUES IN NEOLIBERALISM-1


- Neoliberal policies aim for a *laissez-faire* (“leave alone” in French) approach to economic development.
 - That the less the govt is involved in free market capitalism, the better for business and ultimately, for society as a whole
 - Critics say that allowing neoliberalism run without regulation or correction would be to dismiss those most in need of assistance
 - Keynes was a prominent critic of laissez-faire economics. He argued that the question of market solution versus govt intervention needed to be decided on a case-by-case basis.
 - The use and popularity of the term "neoliberal" declined steadily, specifically in the 1960s. Neoliberalism gained popularity again in the 1980s, connected to Chilean economic reforms issued by Augusto Pinochet.
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ISSUES IN NEOLIBERALISM-2

- Neoliberalism, over time, was perceived negatively and used primarily by critics of market reform.
- It is rooted in the classical liberal ideas of Adam Smith and David Ricardo. Also associated with Friedrich Hayek and Milton Friedman . They viewed the market as a self-regulating mechanism tending towards equilibrium of supply and demand, thus securing the most efficient allocation of resources.
- It emerged as monetarism in the 1970s, a reflection of the triumph in the west of the monetarist shade of neo-classical economics, which was against Keynesianism and all it stood for.



ISSUES IN NEOLIBERALISM-3

- The globalization of the monetarist agenda was assisted with the coming to power in the early 1980s of conservative governments dedicated to the cause of monetarism in the leading western countries that dominate the world capitalist economy.
 - The most prominent of these governments were those of Margaret Thatcher in Britain, Ronald Reagan in the United States, Helmut Kohl in West Germany, and later Brian Mulroney in Canada.
 - The 1980s was the era of monetarists' domination of economic policies in the third world. The IMF/World Bank effectively promoted SAP as a panacea of economic transformation in the developing countries, including Nigeria.
 - Neoliberal thinking led in part to the 2008 financial crisis.
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CASE OF NIGERIA

- Shehu Shagari
- Prior to Shagari, Nigeria relied on Development Plans to manage the economy. Then, the state was prominent.
- The Shagari regime systematized the subsidized sale and distribution of essential commodities, imported through the Nigerian National Supply Company and sold to Nigerians at rates below prevailing market prices. These subsidies remained all through the Shagari era but terminated with the introduction of SAP in 1986.
- The first serious attempt to examine the role of the state in the Nigerian economy came in 1981 when the Shagari regime appointed a presidential commission of inquiry to examine the parastatals. The commission's report recommended an increased role for the private sector in administering the partially government-owned organizations

CASE OF NIGERIA -2

- **Mohammadu Buhari**
- The Buhari regime agreed with the IMF on fundamental reforms but rejected currency devaluation, privatization, trade liberalization of trade etc. He instead, introduced counter trade, with imports severely restricted making it difficult for local industries to procure raw materials. Some firms closed shop and workers were laid off. Govt itself retrenched many employees to increase its “cost effectiveness.” Under Buhari, the education sector also worsened. The total number of secondary schools in the country falling between 1984 to and 1985. Govt also imposed heavy levies, indiscriminately on parents of school children.
- It was a “command and control” economy.
- Buhari’s legitimacy was soon dissipated by his authoritarian nature and he was deposed by General Ibrahim Babangida

CASE OF NIGERIA -3

- **Ibrahim Babangida**
- With obvious state failure in managing the economy and the saying, that “**government has no business in business**”, the need for a change of tactics was obvious.
- General Babangida adopted the neoliberal Structural Adjustment Programme, SAP to halt economic stagnation and revitalize growth. SAP primarily aimed at strengthening market forces and retrenching the state.
- One of these was to disband existing public enterprises such as the Nigerian National Supply Company and the various commodity boards.
- Institutions such as Directorate for food, roads, and rural infrastructure (DFRRI) was established to provide special assistance to rural areas,

CASE OF NIGERIA -4

- **Sani Abacha**
- The SAP was eventually discontinued in 1994 by General Sani Abacha's regime and replaced with a policy of **guided deregulation** meant to enhance economic development by appropriate discretionary interventions from the government.
- Abacha however, extended the frontiers of the neoliberal agenda to the textile sector with his decision to take Nigeria into the World Trade Organisation (WTO) in 1994 without providing safeguards. The WTO agreement opened Nigerian markets to all kinds of imported goods and turned Nigeria into a dumping ground for frivolous imports
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- **Abdulsalami Abubakar**
- General Abdulsalami Abubakar set up the Bureau of Public enterprises (BPE) to oversee the supervision of the sale of these public enterprises.


CASE OF NIGERIA -5

- **Olusegun Obasanjo**
- Obasanjo adopted neoliberal principles to address dysfunctional federal utilities crippled by corruption, inefficiency, and indebtedness. The IFC served as the sole adviser of the Federal Government on privatisation from its inception in 1999.
- The reform agenda was largely influenced by IMF /World Bank. The core prescriptions were: (a) Unbundling and privatization of the state electricity company; (b) Legislation and technical assistance to promote domestic gas sector reforms; (c) Liberalization of the down stream petroleum sector; (d) Funding to address key infrastructure constraints; and (e) Legislations for bill on fiscal responsibility, procurement and the extractive industries transparency initiative.
- To drive this reform agenda, technocrats from these international financial institutions who had neoliberal inclinations were brought on board of President Obasanjo's economic team.

CASE OF NIGERIA -6

- Poor management and lack of transparency in privatisation became obvious. For example, in his last days, **Obasanjo** sold
- the Kaduna and Port Harcourt refineries worth \$800 billion in May 2007 for \$500 million to Blue Star Oil Service Limited, a consortium close to him.
- Eleme Petrochemicals Plant in PH, Africa's largest, sold for \$225 million, an amount not even worth its spare parts.
- Aluminum Smelting Company of Nigeria built at the cost of \$3.2 billion sold to Russal, at the cost of \$250 million with only \$130 million paid, with the balance for dredging the Imo River as stated in the share purchase agreement which was not done years later.
- Delta Steel Company Limited, valued at N225 billion sold for N4.5 billion to Global Steel Infrastructure Limited.
- A total sum of N146.6 billion earned from the privatization process has been remitted to the coffers of the Nigerian government since 1999.
- The assets of the privatized enterprises were undervalued, as rules and regulations governing the due process were subverted, and this has allowed corruption to fester.

CASE OF NIGERIA -7

- **Musa Yar'Adua/ Goodluck Jonathan**
 - The policies of Olusegun Obasanjo largely prevailed over this period, but the privatisation programmes was largely put on hold
 - **Buhari's Second Coming**
 - The policy posture of the current Buhari administration, has been more of a flip-flop. It started with a “command and control” approach
 - Initially, state control of the economy, akin to the 1984-85 policies were foisted on the economy. Devaluation & petroleum sector deregulation rejected despite fall in FX earnings. Later relaxed. Exch rate now over N400/\$1 in parallel market.
 - This has created a lot of uncertainty in the economy and contributed largely to the demarketing of the country's economy and a high level of capital flight.
 - The latest National Bureau of Statistics data indicate that the country is currently in a recession.
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REVIEW OF RELEVANT CONTEMPORARY ISSUES 1

- A mixed economic system is one that has features of both capitalism and socialism. It is perceived as less efficient than pure free markets by neoclassical economists. Most modern economies feature a synthesis of two or more economic systems, with economies falling at some point along a continuum.
- The Nigerian state embraced planned and balanced economic development before 1985. Planning of the Nigerian economy ceased when SAP came in 1986
- Nigeria's adoption of NEPAD, which is based on some neoliberal economic policies, enhanced MTN's obtaining operating license in 2001 with over \$285 million license fee and another \$1 billion to set up operations.
- In 2004 alone, MTN recorded an after-tax profit of over \$2.4 billion in Nigeria

REVIEW OF RELEVANT CONTEMPORARY ISSUES 2

- Latin America has experienced a major backlash against free-market prescriptions. Uprisings against neo-liberal reforms have occurred in Mexico, Bolivia, (forcing the resignation of two presidents), Ecuador (leading to the toppling of a government), and Nicaragua.
- In East and Southeast Asia, most countries never embraced the neoliberal policies (or Washington consensus). Instead, such rapidly industrializing countries as South Korea, Taiwan, China, Vietnam, Thailand and Malaysia had hewed more closely to the Japanese model of the developmental state. Some changed, though, later
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REVIEW OF RELEVANT CONTEMPORARY ISSUES 3

- There is the fear that neoliberalism will never be defeated, since the interests sustaining it are too powerful.
- The inadequacies of neo-liberalism have spawned a widespread questioning of this dominant worldview.
- The World Bank has spearheaded a shift from an unpopular and inefficacious Washington consensus to a more politically and socially astute 'post-Washington consensus' akin to social liberalism.
- Proponents of 'socialism for the twenty-first century', a return to developmental states, and social-democratic paths vie for support with the now mainstream social liberalism.



CONCEPT OF DEVELOPMENTAL STATE -1

- According to the UN Economic Commission for Africa(in its Economic Report for Africa, 2011), the Developmental State is a good model recommended to be adopted by African countries in order to enhance the welfare of its people,.
- A developmental State is about State intervention in the economy and society, but not by a state-dominated economic development model.
- It is about seeking the right mix between the state and the market, governing and controlling the market and market forces in order to prevent market failure, and supporting private agents and entrepreneurs to realize their full potential and contribute to economic development.
- Certainly, it is not about a return to the state- dominated economic development model of the 1960s and 1970s in Africa.

CONCEPT OF DEVELOPMENTAL STATE -2

- Constructing developmental States in Africa will require enthroning a purposeful, and nationalistic political leadership that can chart a developmentalist vision and ideology, build a powerful constituency in the state and society to support it, commit to the development of a strong entrepreneurial class, promote macroeconomic stability, invest in innovation, science and technology, build strong and capable institutions and reform social policy, while expanding social and economic infrastructure in the country.
- However, there is no single model of a development State; rather, there are different models. Developmental States have emerged in history through a learning process, 'learning by doing' and 'trial and error'; hence, there is no easy template or 'one-size-fits-all' formula that may be used in their construction in Africa.

CONCLUSION

- In managing the economy, there is the “failure of the state” or state failure. There is also the “failure of the market” or market failure.
- Neoliberalism has its obvious merits in enhancing “personal responsibility” in the economy, particularly since there is no free lunch anywhere (even in Freetown). We cannot do without the market.
- However, since markets are largely imperfect, its full application creates distortions in the economy. Hence the need for the state to be a part of the development process

***THANKS
AND
GOD
BLESS !***

